

STOCK PURCHASE AGREEMENT

AMONG

**CARE 1ST HEALTH PLAN
("COMPANY")**

**THE SHAREHOLDERS OF CARE 1ST HEALTH PLAN
("SELLERS")**

**CALIFORNIA PHYSICIANS' SERVICE DBA BLUE SHIELD OF CALIFORNIA
("CPS")**

**CUMULUS HOLDING COMPANY, INC.
("BUYER")**

AND

**CFHP SELLER REPRESENTATIVE LLC,
AS THE REPRESENTATIVE OF THE SELLERS
("REPRESENTATIVE")**

DECEMBER 4, 2014

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STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (this “**Agreement**”), dated as of December 4, 2014, is entered into among Care 1st Health Plan, a California corporation (the “**Company**”), the shareholders of the Company (each, a “**Seller**” and collectively, the “**Sellers**”), California Physicians’ Service dba Blue Shield of California, a California nonprofit mutual benefit corporation (“**CPS**”), Cumulus Holding Company, Inc., a California nonprofit mutual benefit corporation and an Affiliate of CPS (“**Buyer**”), and solely in its capacity as representative of the Sellers pursuant to the Representative Agreement, the Representative. The Company, Sellers, CPS, Buyer and the Representative are each referred to in this Agreement as a “**Party**” and are collectively referred to in this Agreement as the “**Parties**”.

RECITALS

WHEREAS, the Sellers collectively own one hundred percent (100%) of the issued and outstanding shares of common and preferred stock of the Company (collectively, the “**Shares**”);

WHEREAS, subject to the terms and conditions set forth in this Agreement, the Sellers desire to sell to Buyer, and Buyer desires to purchase from Sellers, all of the issued and outstanding Shares;

WHEREAS, concurrently with the execution of this Agreement, and as a condition and inducement to the Sellers’ willingness to enter into this Agreement, CPS is entering into a guarantee in favor of Buyer with respect to its obligations under this Agreement.

NOW, THEREFORE, in consideration of the mutual representations, covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I DEFINITIONS; INTERPRETATION

Section 1.01 Definitions. The following terms have the meanings specified or referred to in this **Section 1.01**:

“**Accounting Firm**” means Ernst & Young or another nationally recognized accounting firm agreed upon in writing by Buyer and Representative that has not performed work for any of CPS, the Company or Sellers within the past sixty (60) months, and is otherwise independent of the Parties.

“**Accounting Methodology**” means the accounting principles, practices, procedures, policies and methods (with consistent classifications, judgments, inclusions, exclusions and valuation and estimation methodologies) used and applied in accordance with GAAP and on a consistent basis by the Company and its Subsidiaries in the preparation of the Balance Sheet and the other Audited Financial Statements.

“**Actual IBNR Amount**” has the meaning set forth in **Section 2.03(a)(i)**.

“**Adjustment Time**” means 11:59 p.m. Los Angeles, California time on the Closing Date.

“**Affiliate**” means, with respect to any Person, any other Person who directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person; provided, that, with respect to any Person that is an individual, the term “Affiliate” shall mean such Person’s current and former parents, siblings, spouses, children and grandchildren, if any, and with respect to any Person that is a limited partnership, the term “Affiliate” shall mean such Person’s officers and general partners and shall exclude such Person’s limited partners (other than limited partners that also are officers or general partners of such Person). The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms “controlled” and “controlling” have meanings correlative thereto.

“**Affiliated Provider**” means any physician, hospital, pharmacy, ancillary service provider or other health care service provider that is owned or controlled by a Seller and participates in the Business and provides services to Enrollees.

“**Affiliated Provider Contracts**” has the meaning set forth in **Section 6.17**.

“**Agreement**” has the meaning set forth in the preamble of this Agreement.

“**AHCCCS**” means the Arizona Health Care Cost Containment System.

“**Audited Financial Statements**” has the meaning set forth in **Section 3.05**.

“**Balance Sheet**” has the meaning set forth in **Section 3.05**.

“**Balance Sheet Date**” has the meaning set forth in **Section 3.05**.

“**Base Purchase Price**” means [REDACTED].

“**BCBSA**” means the Blue Cross and Blue Shield Association.

“**Business**” means the business activities of the Company and its Subsidiaries as of the date hereof, including the business conducted as: (a) Medicaid managed care plans in California and Arizona pursuant to Contracts directly or indirectly with state and county Medicaid agencies including L.A. Care, (b) Medicare Advantage health maintenance organizations in California, Arizona and Texas under Medicare Part C and a provider of prescription drug benefits under Medicare Part D, pursuant to Contracts with CMS, (c) a management services organization in Arizona, (d) a participant in Arizona’s Acute Care Program, Division of Developmental Disabilities Program, and Children’s Health Insurance Program and (e) an operator of multi-disciplinary health clinics in Palmdale and Lancaster California.

“**Business Day**” means any day other than Saturday, Sunday or any other day on which commercial banks located in Los Angeles, California are authorized or required by Law to be closed for business.

“**Buyer**” has the meaning set forth in the preamble of this Agreement.

“**Buyer Closing Certificate**” has the meaning set forth in **Section 7.03(c)**.

“**Buyer Indemnified Parties**” has the meaning set forth in **Section 8.02**.

“**Buyer Post-Closing Date Transaction**” means any transaction outside the Ordinary Course of Business (except for the Transactions) engaged in by the Company or any Subsidiary which engagement occurs after the Closing or at the express written direction of the Buyer.

“Buyer Released Party” has the meaning set forth in **Section 6.21**.

“Claim” means (a) any suit, litigation, hearing, arbitration, claim, action, proceeding or mediation or (b) any investigation by any Governmental Entity not in the Ordinary Course of Business of which the Company has received notice.

“Closing” has the meaning set forth in **Section 2.05**.

“Closing Date” has the meaning set forth in **Section 2.05**.

“Closing Indebtedness” means the aggregate amount of Indebtedness of the Company and its Subsidiaries as of the Adjustment Time, determined in accordance with GAAP and the Accounting Methodology.

“Closing Purchase Price” means an amount equal to the sum of (a) the Base Purchase Price, [REDACTED]
[REDACTED]
[REDACTED].

“Closing Statement” has the meaning set forth in **Section 2.02(b)(i)**.

“CMS” means the Centers for Medicare and Medicaid Services, the federal agency responsible for administration of the Medicare and Medicaid programs.

“COBRA” means Part 6 of Subtitle B of Title I of ERISA, Section 4980B of the Code and any similar state Law.

“Code” means the Internal Revenue Code of 1986, as amended.

“Company” has the meaning set forth in the preamble to this Agreement.

“Company Fundamental Representations” means the representations and warranties set forth in **Section 3.01** (Organization and Qualification of the Company and its Subsidiaries; Authority of the Company), **Section 3.02** (Capitalization), and **Section 3.22** (Brokers).

“Company Intellectual Property” means Intellectual Property owned by the Company or its Subsidiaries and used in the operation, conduct or maintenance of the products, Business or services of the Company and its Subsidiaries, other than Intellectual Property licensed by the Company or its Subsidiaries from another Person.

“Confidentiality Agreement” means, collectively, that certain Mutual Confidentiality and Non-Disclosure Agreement dated May 20, 2014 entered into by and between the Company and CPS and that certain Confidentiality Agreement, dated as of September 22, 2014, between CPS and Sellers.

“Consultation Period” has the meaning set forth in **Section 2.02(b)(ii)**.

“Continuing Employees” has the meaning set forth in **Section 6.08(a)**.

“Contract” means any written agreement, contract, subcontract, settlement agreement, lease, instrument, note, warranty, purchase order, license, sublicense, or other legally binding commitment.

“CPS” has the meaning set forth in the preamble of this Agreement.

“DHCS” means the California Department of Health Care Services, the California agency responsible for the administration of the Medi-Cal Program.

“**Deductible Amount**” means an amount equal to [REDACTED].

“**DMHC**” means the California Department of Managed Healthcare.

“**Direct Claim**” has the meaning set forth in **Section 8.05(c)**.

“**Direct Claim Notice**” has the meaning set forth in **Section 8.05(c)**.

“**Direct Claim Response Period**” has the meaning set forth in **Section 8.05(c)**.

“**Disclosure Schedules**” means the Disclosure Schedules delivered by the Company and the Sellers concurrently with the execution and delivery of this Agreement, as supplemented or amended by the Company, the Sellers or the Representative pursuant to **Section 6.05**.

“**Disputed Objection**” has the meaning set forth in **Section 2.02(b)(ii)**.

“**Dollars or \$**” means the lawful currency of the United States.

“**Duals Contracts**” means all Contracts with CMS and the DHCS to provide Medicare and Medicaid benefits to beneficiaries enrolled in the Duals Demonstration.

“**Duals Demonstration**” means the Capitated Financial Alignment Demonstration in California, established by California Welfare and Institutions Code Article 5.4 and commonly known as Cal MediConnect.

“**Employee**” means all employees who are employed by the Company or its Subsidiaries as of the Closing Date.

“**Employee Benefit Plan**” means each “employee benefit plan” (as such term is defined in Section 3(3) of ERISA) and each other employee benefit plan, program or arrangement that the Company or its Subsidiaries maintains, sponsors or contributes to, or to which the Company or its Subsidiaries has any liability to contribute, including any severance, retention, employment, incentive, equity, phantom equity, profits interests or change-of-control agreement, program, policy, commitment or other arrangement maintained by the Company or its Subsidiaries or to which the Company or its Subsidiaries is a party.

“**Engagement Termination**” has the meaning set forth in the definition of Material Adverse Effect.

“**Enrollees**” means individuals that are enrolled in the Medicaid managed care plan, or the Medicare Advantage health maintenance organization of the Company and its Subsidiaries.

“**Environmental Claim**” means any action, lien, fine, penalty, judgment, settlement or Claim by any Person alleging liability of whatever kind or nature, whether pending or, to the Company’s Knowledge, threatened, or judgments or orders (including liability or responsibility for the costs of enforcement proceedings, investigations, clean-up, governmental response, removal or remediation, natural resources damages, property damages, personal injuries, medical monitoring, penalties, contribution, indemnification and injunctive relief), relating to arising out of, based on or resulting from: (a) the presence, Release of, or exposure to, any Hazardous Materials; or (b) any actual or alleged non-compliance with any Environmental Law or term or condition of any Environmental Permit.

“**Environmental Law**” means any applicable Law: (a) relating to pollution (or the cleanup thereof) or the protection of natural resources, endangered or threatened species, human health or safety,

or the environment (including ambient air, soil, surface water or groundwater, or subsurface strata) or (b) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal or remediation of any Hazardous Materials.

“**Environmental Notice**” means any written directive, notice of violation or infraction, or notice respecting any Environmental Claim relating to actual or alleged non-compliance with any Environmental Law or any term or condition of any Environmental Permit.

“**Environmental Permit**” means any Permit, letter, clearance, consent, waiver, closure, exemption, decision or other action required under or issued, granted, given, authorized by or made pursuant to Environmental Law.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

“**ERISA Affiliate**” means any entity that would be deemed a “single employer” with the Company under Section 414(b), (c), (m) or (o) of the Code or Section 4001 of ERISA.

“**Escrow Agent**” means Wells Fargo Bank, National Association.

“**Escrow Agreement**” means the escrow agreement substantially in the form of **Exhibit A** attached hereto to be entered into between Buyer, the Representative and the Escrow Agent at Closing.

“**Escrow Amount**” means an amount equal to [REDACTED] of the Estimated Closing Purchase Price.

“**Escrow Account**” means the escrow account (to be established and designated by the Escrow Agent under the Escrow Agreement) into which the payment of the Escrow Amount shall be made and any succeeding escrow account in which the Escrow Amount (and any earnings on the Escrow Amount) shall be held by Escrow Agent.

“**Estimated Closing Statement**” has the meaning set forth in **Section 2.02(a)**.

“**Estimated IBNR Amount**” has the meaning set forth in **Section 2.02(a)**.

“**Estimated Closing Purchase Price**” has the meaning set forth in **Section 2.02(a)**.

“**Excess Statutory Capital Amount**” means an amount equal to the greater of [REDACTED]

[REDACTED]

“**Executive Employment Agreements**” has the meaning set forth in **Section 7.02(i)**.

“**Existing D&O Policies**” has the meaning set forth in **Section 6.10(e)**.

“**Expiration Date**” means the date that is [REDACTED] days after the date hereof.

“**Federal Health Care Programs**” has the meaning set forth in **Section 3.21(b)(i)**.

“**Final Closing Purchase Price**” has the meaning set forth in **Section 2.02(d)(i)**.

“**Financial Statements**” has the meaning set forth in **Section 3.05**.

“**GAAP**” means United States generally accepted accounting principles in effect from time to time, consistently applied.

“**Governing Documents**” means, with respect to any Person that is a corporation, its articles or certificate of incorporation or memorandum and articles of association, as the case may be, and bylaws; with respect to any Person that is a partnership, its certificate of partnership and partnership agreement; with respect to any Person that is a limited liability company, its certificate of formation and limited liability company or operating agreement; with respect to any Person that is a trust or other entity, its declaration or agreement of trust or constituent document; and with respect to any other Person, its comparable organizational documents.

“**Governmental Entity**” means any (a) federal, state, local, municipal, foreign or other government, (b) governmental or quasi-governmental entity of any nature (whether federal, state, local, municipal, foreign, multinational or international, including any governmental agency, branch, department, official, or entity and any court or other tribunal (including the AHCCCS, L.A. Care, TDI, DMHC, DHCS, CMS, Arizona Acute Care Program, Arizona Division of Developmental Disabilities Program and Arizona Children’s Health Insurance Program)) or (c) body exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature, including any arbitral tribunal.

“**Governmental Entity Examination**” means a formal review conducted by a Governmental Entity of the fiscal, operational or administrative affairs of a Person, to determine whether the Person is in compliance with Laws, including, but not limited to, a CMS Program Audit, CMS Validation Audit, CMS Financial Audit, DMHC Examination of Fiscal and Administrative Affairs, DMHC Medical Survey, AHCCCS Operational Review, and L.A. Care Plan Partner Audit; provided, however, that any review, audit or examination of or relating to Tax matters or affairs shall not be a Governmental Entity Examination.

“**Governmental Order**” means any order, writ, judgment, injunction, decree, stipulation, request for corrective action plan, determination or award entered by or with any Governmental Entity.

“**Hazardous Materials**” means: (a) any material, substance, chemical, waste, product, derivative, compound, mixture, solid, liquid, mineral or gas, in each case, whether naturally occurring or man-made, that is hazardous, acutely hazardous, toxic, or words of similar import or regulatory effect under Environmental Laws; (b) any petroleum or petroleum-derived products, radon, radioactive materials or wastes, asbestos in any form, lead or lead-containing materials, urea formaldehyde foam insulation and polychlorinated biphenyls; and (c) any other material or substance now or in the future defined as a “hazardous substance,” “hazardous material,” “biohazard,” “hazardous waste,” “toxic substance,” “toxic pollutant,” “contaminant,” “special waste,” “medical waste” or “pollutant” within the meaning of any Environmental Law.

“**Healthcare Regulatory Laws**” has the meaning set forth in **Section 3.21(a)**.

“**HSR Act**” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

“**IBNR**” means claims for hospital or medical benefits that (i) were provided to, or rendered on behalf of, Enrollees as of the Adjustment Time and (ii) were not reported to, or processed by, the Company or its Subsidiaries as of the Adjustment Time.

“**IBNR Adjustment Time**” means 11:59 p.m. Los Angeles, California time on the last day of the month that is the 18th month after the Closing Date.

“**IBNR Closing Statement**” has the meaning set forth in **Section 2.03(a)(i)**.

“**IBNR Consultation Period**” has the meaning set forth in **Section 2.03(a)(ii)**.

“**IBNR Disputed Objection**” has the meaning set forth in **Section 2.03(a)(ii)**.

“**IBNR Review Period**” has the meaning set forth in **Section 2.03(a)(ii)**.

“**IBNR Objection**” has the meaning set forth in **Section 2.03(a)(ii)**.

“**IBNR Objection Notice**” has the meaning set forth in **Section 2.03(a)(ii)**.

“**Income Taxes**” shall mean any Taxes imposed on, or measured by, income and any franchise Taxes imposed in lieu of income taxes.

“**Income Tax Return**” means any return, form, declaration, report, claim for refund, information return or statement or other document required to be filed with respect to Income Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“**Indebtedness**” means, as of any time with respect to any Person, without duplication, the outstanding principal amount of, accrued and unpaid interest on, and other payment obligations (including prepayment and early termination penalties) arising under, any obligations, contingent or otherwise, of the Company or its Subsidiaries consisting of (a) indebtedness for borrowed money, indebtedness issued or incurred in substitution or exchange for indebtedness for borrowed money or for the deferred or contingent purchase price of property (but excluding (i) any trade payables and accrued expenses arising in the Ordinary Course of Business and (ii) any deferred or contingent purchase price of property or services due in accordance with and pursuant to the agreements listed on **Section 1.01-A of the Disclosure Schedules**), (b) indebtedness evidenced by any note, bond, debenture or other debt security, (c) obligations in respect of any financial hedging arrangements or similar financial hedging Contracts, (d) all obligations arising under letters of credit, bankers’ acceptances, bank guaranties, surety bonds and similar instruments to the extent drawn against, (e) obligations as lessee or lessees under leases that have been recorded as capital leases in accordance with GAAP, and (f) each “debt-like” item set forth on **Section 1.01-B of the Disclosure Schedules** and (g) all guarantees in respect of clauses (a) through (f); provided, however, that, for the avoidance of doubt, “Indebtedness” shall not include any obligation under any operating lease.

“**Indebtedness Pay-Off Schedule**” has the meaning set forth in **Section 2.02(a)**.

“**Indemnification Percentage**” means, with respect to each of the Sellers, the percentage set forth next to such Seller’s name under the heading “Indemnification Percentage” on **Section 1.01-C of the Disclosure Schedules**.

“**Indemnified D&O Parties**” has the meaning set forth in **Section 6.10(a)**.

“**Indemnified Party**” means the Buyer Indemnified Party or the Sellers Indemnified Party, as applicable, making a Claim for indemnification pursuant to **Article VIII**.

“**Indemnifying Party**” means (a) in the case of a Claim or demand for indemnification pursuant to **Article VIII** made by a Buyer Indemnified Party, Sellers; provided that for any Claim or demand for

indemnification pursuant to **Article VIII** made by a Buyer Indemnified Party that could be satisfied solely from the amount remaining in the Escrow Account, the Representative shall be considered the “Indemnifying Party” or (b) in the case of a Claim for indemnification pursuant to **Article VIII** made by a Sellers Indemnified Party, Buyer.

“**Insurance Policies**” has the meaning set forth in **Section 3.14**.

“**Intellectual Property**” means any and all: (a) trademarks, service marks, trade names and trade dress, including all applications and registrations and goodwill related to the foregoing; (b) copyrights, including all applications and registrations related to the foregoing; (c) trade secrets and confidential know-how; (d) United States and foreign patents and patent applications; (e) all trade secrets and other rights in knowhow and confidential or proprietary information throughout the world; and (f) rights in computer software, internet domain name registrations, websites and related content.

“**Interim Balance Sheet**” has the meaning set forth in **Section 3.05**.

“**Interim Balance Sheet Date**” has the meaning set forth in **Section 3.05**.

“**Interim Financial Statements**” has the meaning set forth in **Section 3.05**.

“**Knowledge of the Company**” or “**the Company’s Knowledge**” or any other similar knowledge qualification relating to the Company, means the knowledge, after reasonable inquiry, of

“**Knox-Keene Act**” means the California Knox-Keene Health Care Service Plan Act of 1975, codified at §1340 et seq. of the California Health and Safety Code, and the related regulations in Title 28, California Code of Regulations, both as amended from time to time.

“**L.A. Care**” means the Local Initiative Health Authority for Los Angeles County.

“**L.A. Care Extension Agreement**” an agreement amending that certain Service Agreement between the Local Initiative Health Authority for Los Angeles County and Care 1st Health Plan, dated October 1, 2009, as amended on December 1, 2010, June 1, 2011, June 22, 2011, October 1, 2012, October 1, 2012, July 15, 2013, October 1, 2013, January 8, 2014, January 8, 2014, March 1, 2014, March 1, 2014 and May 1, 2014, (and as may be further amended between the date hereof and the Closing Date), and that (i) includes terms that are materially consistent with such agreement as in effect on the Closing Date; (ii) may include the following additional coverages as required by DHCS: (a) Medicaid extension, (b) adult behavioral health (pursuant to that certain All Plan Letter 13-021, dated December 13, 2013), and (c) autism spectrum disorder (pursuant to that certain All Plan Letter 14-011, dated September 15, 2014); and (iii) extends the term of the L.A. Care Agreement for no less than three (3) years, or such shorter term as L.A. Care may require.

“**Law**” means any federal, state, local, municipal, foreign, international, multinational law, or other administrative order, code, constitution, ordinance, principle of common law, rule, regulation, statute or treaty or binding directive issued by a Governmental Entity.

“**Lien**” means any mortgage, pledge, security interest, encumbrance, easement, reservation, restriction, right of way, option, right of first refusal, lien or charge, in each case other than Permitted Liens.

“**Loss**” or “**Losses**” means losses, damages, liabilities, costs or expenses, including reasonable attorneys’ fees (other than fees, expenses or costs of in-house counsel or other employees); provided, however, that (a) “Loss” or “Losses” shall include reasonably foreseeable consequential damages, but shall not include any punitive or special damages, losses, liabilities, costs or expenses and (b) solely for purposes of determining the amount of any Loss or Losses, any qualifications in the representations, warranties and covenants in this Agreement with respect to a Material Adverse Effect, materiality, material or similar terms shall be disregarded and will not have any effect with respect to the calculation of the amount of any Loss or Losses attributable to a breach of any representation, warranty or covenant set forth in this Agreement (including the Disclosure Schedules).

“**Management Sellers**” means [REDACTED].

“**MA Plan**” means one or more Medicare Advantage coordinated care plans (i.e., without prescription drug coverage), Medicare Advantage prescription drug plans and stand-alone prescription drug plans offered under a policy, Contract or plan authorized under the Medicare Advantage Program and approved by CMS, in each case, offered by the Company or its Subsidiaries.

“**Material Adverse Effect**” means any event, occurrence, fact, condition, circumstance or change that, individually or in the aggregate, has or would reasonably be expected to have a material adverse effect on (a) the business, results of operations, financial condition or assets of the Company and its Subsidiaries, taken as a whole, or (b) the ability of Sellers or the Company to consummate the Transactions; provided, however, that “Material Adverse Effect” shall not include any event, occurrence, fact, condition, circumstance or change, directly or indirectly, arising out of, attributable to or relating to: (i) any changes, conditions, effects or circumstances in the United States or foreign economies or financial, banking or securities markets (including any disruption thereof or any decline in the price of any security or any market index); (ii) any national or international political or social conditions, changes, effects or circumstances, including acts of terrorism or war (whether or not declared); (iii) any changes, conditions, effects or circumstances caused by or relating to any natural or man-made disaster or other acts of God; (iv) any changes in GAAP (or in the enforcement or interpretations thereof); (v) any changes in any Law or other binding directives issued by any Governmental Entity (or in the enforcement or interpretations thereof); (vi) any change, condition, effect or circumstance that is generally applicable to the industries or markets in which the Company and its Subsidiaries operate except for any such change, condition, effect or circumstance relating to the Company’s business that has a disproportionate impact on the Company and its Subsidiaries, taken as a whole, when compared to other similarly situated businesses in the industries and markets in which the Company and its Subsidiaries operate; (vii) any failure, in and of itself, by the Company or any of its Subsidiaries, to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues or earnings (it being understood that the facts or occurrences giving rise to or contributing to such failure may, if not otherwise excluded from the definition of Material Adverse Effect, be taken into account in determining whether there has been or would reasonably be expected to be a Material Adverse Effect); (viii) the negotiation, execution and delivery of this Agreement or the other Transaction Documents, (ix) the public announcement or pendency of the Transactions, (x) the taking of any action required or expressly contemplated by this Agreement or the other Transaction Documents or the taking of any action at the written request or with the written consent of Buyer or CPS or (xi) the identity of Buyer or CPS; provided, further, that none of the foregoing exclusions in (vii) and (viii) shall apply if such event, occurrence, fact, condition, circumstance or change arose from or was attributable to a breach of this Agreement or the other

Transaction Documents by the Company or Sellers. For purposes of this definition, if (x) on or after the date hereof any customer, supplier or other business relation of the Company or any of its Subsidiaries terminates or modifies (or gives notice of its intent to terminate or modify) its relationship with the Company or any of its Subsidiaries and (y) at the time of such termination or modification, the Company or its Subsidiaries is not in material breach of any contractual obligation owing to such business relation that gives such business relation the right to terminate or modify such relationship (an “**Engagement Termination**”), then such Engagement Termination and the consequences thereof shall not result in a Material Adverse Effect or be taken into account in determining whether a Material Adverse Effect has occurred; provided that, notwithstanding the foregoing, the effect of a termination or the receipt of notice of termination of any Contract set forth on **Section 1.01-D of the Disclosure Schedules** may be considered in determining whether a Material Adverse Effect has occurred.

“**Material Contracts**” has the meaning set forth in **Section 3.07(a)**.

“**Material Health Care Provider Contracts**” means (a) each Contract that is a Provider Contract (i) with any of the twenty (20) largest Providers in each of California and Arizona; (ii) with any of the ten (10) largest Providers in the Company’s and its Subsidiaries’ Medicaid line of business in each of California and Arizona; (iii) with any of the ten (10) largest Providers in the Company’s and its Subsidiaries’ Medicare line of business in each of California and Arizona; (iv) with any of the ten (10) largest Providers in the Company’s Duals Contracts line of business in California, in each case, as measured in terms of aggregate medical claim payments received from the Company and its Subsidiaries during the nine (9) months ended September 30, 2014, and in each case excluding any capitation payments and retail pharmacy, mail pharmacy or specialty pharmacy Contract; and (v) that obligates the Company or any of its Subsidiaries to pay or receive an amount in excess of [REDACTED], in the aggregate, after the date of this Agreement and (b) each Contract that is a capitated Provider Contract (i) with any of the twenty (20) largest Providers in each of California and Arizona; (ii) with any of the ten (10) largest Providers in the Company’s and its Subsidiaries’ Medicaid line of business in each of California and Arizona; (iii) with any of the ten (10) largest Providers in the Company’s and its Subsidiaries’ Medicare line of business in each of California and Arizona; and (iv) with any of the ten (10) largest Providers in the Company’s Duals Contracts line of business in California, in each case, measured by capitated payments made to such Providers.

“**Material Health Regulatory Permits**” has the meaning set forth in **Section 3.21(f)**.

“**Materially Burdensome Condition**” has the meaning set forth in **Section 6.12(d)**.

“**Medicaid**” means the programs established under the applicable provisions of Title XIX of the Social Security Act, as amended, modified, revised or replaced as well as any final rules and final regulations adopted pursuant thereto and any written directives, instructions, guidelines, bulletins, manuals, requirements, policies and standards issued by CMS or the applicable state.

“**Medicare**” means Parts C and D of Title XVIII of the Social Security Act, as amended, modified, revised or replaced as well as any final rules and final regulations adopted pursuant thereto and any written directives, instructions, guidelines, bulletins, manuals, requirements, policies and standards issued by CMS.

“**Minimum Statutory Tangible Net Equity**” means the minimum statutory Tangible Net Equity, as defined in subdivision (a) of Section 1300.76 of Title 28 of the California Code of

Regulations; provided that Minimum Statutory Tangible Net Equity shall be calculated using the Estimated IBNR Amount for the amount of the expenses of the Company and its Subsidiaries for IBNR.

“**Multiemployer Plan**” has the meaning set forth in Section 3(37) of ERISA.

“**New Plans**” has the meaning set forth in **Section 6.08(a)**.

“**Non-Management Sellers**” means all Sellers other than [REDACTED].

“**Notice of Material Modification**” or “**Material Modification**” means a health care service plan regulatory filing, including any amendments thereto, filed by the Company or any of its Subsidiaries pursuant to the Knox-Keene Act in order to obtain approval from the DMHC for a change in control of the Company or any of its Subsidiaries.

“**Objection**” has the meaning set forth in **Section 2.02(b)(ii)**.

“**Objection Notice**” has the meaning set forth in **Section 2.02(b)(ii)**.

“**Ordinary Course of Business**” means the ordinary course of business consistent with past practice in frequency, type and amount in all material respects.

“**Ownership Percentage**” means, with respect to each of the Sellers, the percentage set forth next to such Seller’s name under the heading “Ownership Percentage” on **Section 1.01-C of the Disclosure Schedules**.

“**Party**” or “**Parties**” has the meaning set forth in the preamble of this Agreement.

“**Permits**” means all permits, licenses, franchises, certificates, approvals, authorizations, waivers, registrations, certifications and consents obtained or required to be obtained from Governmental Entities, and amendments and modifications of any of the foregoing.

“**Permitted Liens**” means (a) mechanic’s, materialmen’s, carriers’, repairers’ and other Liens arising or incurred in the Ordinary Course of Business for amounts that are not yet delinquent or are being contested in good faith by appropriate proceedings, (b) Liens for Taxes, assessments or other governmental charges not yet due and payable or that are being contested in good faith by appropriate proceedings or for which adequate accruals or reserves have been established, (c) zoning, building codes and other land use Laws regulating the use or occupancy of real property or the activities conducted thereon which are imposed by any Governmental Entity having jurisdiction over such real property, or other encumbrances or restrictions on real property, that do not materially interfere with the present uses or occupancy of such real property by the Company and its Subsidiaries, and (d) Liens arising under original purchase price conditional sales Contracts and equipment leases with third parties entered into in the Ordinary Course of Business, (e) any revocable, non-exclusive license of Intellectual Property or Company Intellectual Property; (f) Liens arising under the Securities Act of 1933, as amended, or state securities laws and (g) Liens described on **Section 1.01-E of the Disclosure Schedules**.

“**Person**” means an individual, corporation, partnership, joint venture, limited liability company, Governmental Entity, unincorporated organization, trust, association or other entity.

“**Post-Closing Straddle Period**” has the meaning set forth in **Section 6.02(b)(ii)**.

“Post-Closing Taxable Periods” means any taxable period (or portion thereof) ending after the Closing Date.

“Pre-Closing Straddle Period” has the meaning set forth in **Section 6.02(b)(ii)**.

“Pre-Closing Taxable Periods” means any taxable period (or portion thereof) ending on or prior to the Closing Date.

“Pre-Closing Tax Refund” has the meaning set forth in **Section 6.02(d)(i)**.

“Producers” has the meaning set forth in **Section 3.26**

“Protected Information” has the meaning set forth in **Section 10.11(c)**.

“Providers” means all physicians, physician or medical groups, IPAs, PPOs, exclusive provider organizations, specialist physicians, dentists, optometrists, audiologists, pharmacies and pharmacists, radiologists or radiology centers, laboratories, mental health professionals, chiropractors, physical therapists, any hospitals, skilled nursing facilities, extended care facilities, other health care or services facilities, durable medical equipment suppliers, opticians, home health agencies, alcoholism or drug abuse centers and any other specialty, ancillary or allied medical, health or wellness professional or facility.

“Provider Contracts” means any current Contract between the Company or any of its Subsidiaries, on the one hand, and any Provider that participates in the Company’s or its Subsidiaries’ business and provides and/or arranges for services to Enrollees, on the other hand.

“Regulatory Filings” has the meaning set forth in **Section 3.21(j)**.

“Related Party Agreement” has the meaning set forth in **Section 3.16**.

“Release” means any release, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, abandonment, disposing or allowing to escape or migrate into or through the environment.

“Representative” means CFHP Seller Representative LLC, a California limited liability company.

“Representative Agreement” means the Operating Agreement of the Representative dated as of the hereof, as amended, restated or otherwise modified from time to time.

“Representative Expense Amount” means [REDACTED].

“Restricted Business” has the meaning set forth in **Section 6.19(a)**.

“Restricted Territory” has the meaning set forth in **Section 6.19(a)**.

“Review Period” has the meaning set forth in **Section 2.02(b)(ii)**.

“Schedule Supplement” has the meaning set forth in **Section 6.05**.

“Section 280G Waived Payments” has the meaning set forth in **Section 6.14(a)**.

“Seller” or **“Sellers”** has the meaning set forth in the preamble of this Agreement.

“Sellers Closing Amount” means an amount equal to [REDACTED].

“**Seller Closing Certificate**” has the meaning set forth in **Section 7.02(c)**.

“**Sellers Expenses**” means, without duplication, the collective amount due and payable by the Company or its Subsidiaries for all out of pocket costs and expenses, unpaid fees or commissions incurred by the Company or its Subsidiaries or by or on behalf of Sellers (to the extent such amount is not paid prior to the Closing) and, on or following the Closing, is a liability of the Company or its Subsidiaries in connection with the consummation of the Transactions, including (a) the fees and expenses of legal counsel, investment bankers, financial advisors, accountants, brokers, consultants, and tax advisors to Sellers and the Company relating thereto, and (b) any stay bonuses or severance, termination, change in control, retention or similar payments or benefits payable to any employee, contractor, consultant, agent, or current or former board member of the Company or its Subsidiaries, and the employer portion of any payroll Taxes attributable thereto, on account of the entry into this Agreement by Sellers or the consummation of the Transactions (other than payments (i) payable, whether prior to, on or after Closing, as a result of Buyer offering, or Buyer causing the Company or its Subsidiaries to offer, any such payment or benefit to any employee of the Company or its Subsidiaries or (ii) potentially payable following Closing that would be triggered by a termination of employment (A) by the Company or its Subsidiaries following the Closing without “cause” (as such term may be defined or any similar term or concept may be defined or contained in any Contract between such employee and the Company or its Subsidiaries), or (B) by an employee for “good reason” or “constructive discharge” (as either such term may be defined or any similar term or concept may be defined or contained in any Contract between such employee and the Company or its Subsidiaries); provided, however, that (x) Sellers Expenses shall exclude any such costs, expenses, fees, commissions or other items to the extent reflected in the Tangible Net Equity of the Company as of the Adjustment Time and (y) Sellers Expenses shall not include any costs, expenses, fees, commissions or other items incurred by the Company or any of its Subsidiaries after the Closing.

“**Sellers Expenses Schedule**” has the meaning set forth in **Section 2.02(a)**.

“**Sellers Indemnified Parties**” has the meaning set forth in **Section 8.03**.

“**Sellers Payables**” means, without duplication, any payables owed to the Company or its Subsidiaries by the Sellers or their Affiliates as of the Closing (to the extent such amount is not paid prior to the Closing), including any outstanding loans made by the Company to any Sellers or their Affiliates for purposes of acquiring any restricted stock units, or otherwise.

“**Sellers Payables Schedule**” has the meaning set forth in **Section 2.02(a)**.

“**Shares**” has the meaning set forth in the recitals to this Agreement.

“**Statutory Capital Deficiency Amount**” means an amount equal [REDACTED]

[REDACTED]

“**Straddle Period**” has the meaning set forth in **Section 6.02(b)(ii)**.

“**Straddle Returns**” has the meaning set forth in **Section 6.02(b)(ii)**.

“Subsidiary” means, with respect to any Person, any corporation, limited liability company, partnership, association, or other business entity of which (a) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof or (b) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of the partnership or other similar ownership interests thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more Subsidiaries of such Person or a combination thereof and, for this purpose, a Person or Persons own a majority ownership interest in such a business entity (other than a corporation) if such Person or Persons shall be allocated a majority of such business entity’s gains or losses or shall be a, or control any, managing director or general partner of such business entity (other than a corporation). The term “Subsidiary” shall include all Subsidiaries of such Subsidiary.

“Tangible Net Equity” means the tangible net equity of the Company on a consolidated basis, as defined in subdivision (e) of Section 1300.76 of Title 28 of the California Code of Regulations; provided that Tangible Net Equity shall be calculated using the Estimated IBNR Amount for the amount of the expenses of the Company and its Subsidiaries for IBNR.

“Taxes” means all federal, state, local or foreign income, gross receipts, sales, use, ad valorem, documentary, recording, business and occupation, transfer, franchise, profits, withholding, payroll, employment, unemployment, social security, disability, estimated, excise, severance, environmental, stamp, occupation, property (real or personal) or other taxes, assessments, excises, duties or similar fees or changes of any kind (but excluding any charges or fees for services or goods provided, such as sewer, water or utilities), together with any interest, additions or penalties (civil or criminal) with respect thereto and any interest in respect of such additions or penalties imposed by any Governmental Entity, whether disputed or not.

“Tax Proceeding” has the meaning set forth in **Section 6.02(g)**.

“Tax Reduction” means any Tax refund (including related interest received from the applicable Governmental Entity) or any Tax credit or deduction that results in a reduction in Taxes paid by Buyer, the Company (or any Subsidiary of the Company) or any of their respective Affiliates.

“Tax Return” means any return, declaration, report, claim, form, for refund, information return or statement or other document required to be filed with respect to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“TDI” means the Texas Department of Insurance.

“Texas HMO Act” the Texas Health Maintenance Organization Act, Tex. Ins. Code §§ 843.001 et seq.

“Third-Party Claim” has the meaning set forth in **Section 8.05(a)**.

“Third-Party Claim Notice” has the meaning set forth in **Section 8.05(a)**.

“Transaction Documents” means this Agreement, the Escrow Agreement and each agreement, certificate, document or instrument to be executed in connection herewith or therewith.

“Transactions” means the transactions contemplated by the Transaction Documents.

“Transaction Tax Deductions” means any item of loss, credit or deduction permitted under applicable Law relating to, or arising from (a) any Sellers Expenses and (b) any fees, expenses, and interest (including amounts treated as interest for income Tax purposes and any breakage fees and accelerated deferred financing fees or debt prepayment fees or capitalized debt costs) incurred by the Company or its Subsidiaries with respect to the payment of any Indebtedness pursuant to **Section 2.04(a)(v)**.

“WARN Act” means the federal Worker Adjustment and Retraining Notification Act of 1988, and similar state, local and foreign laws related to plant closings, relocations, mass layoffs and employment losses.

Section 1.02 Interpretation. For purposes of this Agreement (and the Disclosure Schedules), (a) the words “including,” “include” and “includes” shall be deemed to be followed by the words “without limitation,” (b) the word “or” is not exclusive (and shall be construed in the inclusive sense of “and/or”), (c) the word “will” shall be construed to have the same meaning and effect as the word “shall,” (d) the words “herein,” “hereof,” “hereby,” “hereto” or “hereunder” refer to this Agreement (including the Disclosure Schedules and Exhibits to this Agreement) as a whole, (e) definitions in **Section 1.01** and elsewhere in this Agreement shall apply equally to both the singular and plural forms of the terms defined, (f) accounting terms used but not otherwise defined herein shall have the meanings given to them under GAAP, and (g) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Any reference in this Agreement to a “day” or a number of “days” (without explicit reference to Business Days) shall be interpreted as a reference to a calendar day or number of calendar days. If any action is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action may be deferred until the next Business Day. Unless the context otherwise requires, references in this Agreement: (A) to Articles, Sections, Exhibits and Disclosure Schedules mean the Articles and Sections of, and the Exhibits and Disclosure Schedules attached to, this Agreement and (B) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented or modified from time to time to the extent permitted by the provisions thereof and by this Agreement. Except as otherwise expressly set forth in this Agreement, all references in **Article III** or **Article IV** to any Law shall be deemed to refer to such Law as enacted prior to the Closing Date. The Disclosure Schedules and Exhibits referred to in this Agreement shall be construed with and as an integral part of this Agreement to the same extent as if they were set forth verbatim herein. Any capitalized terms used in any of the Disclosure Schedules or Exhibits to this Agreement, but not otherwise defined therein, shall have the meaning as defined in this Agreement. Any fact or item disclosed in any Section or portion of the Disclosure Schedules shall qualify or modify the corresponding representation and warranty set forth in such Section or the Section referred to therein or thereon and, it is acknowledged and agreed that such fact or item disclosed in such Section or portion of the Disclosure Schedules shall also be deemed disclosed with respect to any other Section(s) or portion(s) of the Disclosure Schedules (and shall qualify or modify the corresponding representation and warranty set forth in such Section) to the extent that the relevance of such disclosed fact or item to such other Section(s) or portion(s) of the Disclosure Schedules is reasonably apparent. Any fact or item disclosed on any Section or portion of the Disclosure Schedules shall not by reason only of such inclusion be deemed to be material and shall not be employed as a point of reference in determining any standard of materiality under this Agreement. Titles to Articles and headings of Sections in this Agreement or any of

the Disclosure Schedules or Exhibits to this Agreement and the table of contents to this Agreement are inserted for convenience of reference only and shall not be deemed a part of or to affect the meaning or interpretation of this Agreement or any of the Disclosure Schedules or Exhibits to this Agreement. Notwithstanding the fact that this Agreement has been drafted or prepared by one of the Parties, each Party confirms that both it and its counsel have reviewed, negotiated and adopted this Agreement as the joint agreement and understanding of the Parties. The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

ARTICLE II PURCHASE AND SALE

Section 2.01 Purchase and Sale. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Sellers shall sell to Buyer, and Buyer shall purchase from Sellers, the Shares in exchange for the Closing Purchase Price. The Closing Purchase Price will be estimated prior to the Closing Date and subject to post-Closing adjustments as provided in **Section 2.02** and **Section 2.03**.

Section 2.02 Closing Purchase Price.

(a) **Estimated Closing Purchase Price.**

[REDACTED]

The Estimated Closing Statement and the determinations and calculations contained therein shall be prepared in accordance with **Section 2.02(e)**. In addition, at least five (5) Business Days prior to the Closing, in order to facilitate the repayment of Closing Indebtedness and the payment of Sellers Expenses, the Company shall obtain and deliver to Buyer (A) payoff letters from each lender in respect of all of the Closing Indebtedness, which shall acknowledge the aggregate amounts accrued and owed to such lender to fully repay all Closing Indebtedness as of the Closing with no further liability of the Company or its Subsidiaries for such Closing Indebtedness, together with instructions for payment by wire transfer of such funds, and all such Closing Indebtedness shall be reflected in a schedule in the Estimated Closing Statement (the “**Indebtedness Pay-Off Schedule**”); (B) a list of the Sellers Expenses owed or to be owed by the Company or its Subsidiaries (to the extent not paid by the Sellers, the Company or the Subsidiaries prior to the Closing), all of such Sellers Expenses shall be reflected in a schedule in the Estimated Closing Statement, broken down by Person(s) to whom such Sellers Expenses are owed and wire instructions for such Person(s) (the “**Sellers Expenses Schedule**”); and (C) a list of all Sellers Payables owed by any Seller to the Company or its Subsidiaries as of the Closing (to the extent not paid by the Sellers to the Company or the Subsidiaries prior to the Closing) (the “**Sellers Payables Schedule**”). Except as to the payment of Sellers Expenses by Buyer at the Closing pursuant to **Section 2.04(a)(iv)**, all other Sellers Expenses shall be paid after the Closing by the Representative on

behalf of the Sellers from Sellers' funds. The amount of all Sellers Payables shall be deducted from the payment of the Sellers Closing Amount at the Closing pursuant to **Section 2.04(a)(i)**.

(b) **Determination of Final Closing Purchase Price.**

(i) Within ninety (90) days after the Closing Date, Buyer shall prepare and deliver to the Representative a statement (the "**Closing Statement**"), setting forth Buyer's good faith determination of the [REDACTED]

[REDACTED]. The Closing Statement and the determinations and calculations contained therein shall be prepared in accordance with **Section 2.02(e)**. If the Closing Purchase Price set forth on the Closing Statement as delivered by Buyer to the Representative pursuant to this **Section 2.02(b)(i)** exceeds the Estimated Closing Purchase Price, (A) Buyer shall, or shall cause the Company to, pay to the Representative an amount equal to such excess within three (3) Business Days after the delivery of the Closing Statement to the Representative pursuant to this **Section 2.02(b)(i)** and (B) within three (3) Business Days after receipt by the Representative of the payment from Buyer (or the Company) set forth in this **Section 2.02(b)(i)**, the Representative shall pay to each Seller an amount equal to the amount of such excess received from Buyer (or the Company) pursuant to this **Section 2.02(b)(i)** multiplied by such Seller's Ownership Percentage. The foregoing payment(s) shall in no way act as a waiver of the Representative's (or the Sellers') right to dispute the preparation or content of the Closing Statement as described in **Section 2.02(b)(ii)**.

(ii) Within thirty (30) days following receipt by the Representative of the Closing Statement (the "**Review Period**"), the Representative shall deliver written notice (an "**Objection Notice**") to Buyer of any dispute the Representative (or any of the Sellers) has with respect to the preparation or content of the Closing Statement. If the Representative does not deliver an Objection Notice with respect to the Closing Statement within the Review Period, the Closing Statement and any amount, determination or calculation therein shall be final, conclusive and binding on the Parties. If an Objection Notice is delivered within the Review Period, the Representative and Buyer shall negotiate in good faith to resolve each dispute raised therein (each, an "**Objection**") during the thirty (30) days immediately following the delivery of the Objection Notice (the "**Consultation Period**"). If the Representative and Buyer, notwithstanding such good faith efforts, fail to resolve any Objection within the Consultation Period (each, a "**Disputed Objection**"), then the Representative and Buyer shall jointly engage the Accounting Firm to resolve only the Disputed Objections (acting as an expert and not an arbitrator) in accordance with this Agreement (including **Section 2.02(e)**) as soon as practicable thereafter (but in any event within thirty (30) days after such engagement of the Accounting Firm). The Representative and Buyer shall use commercially reasonable efforts to cause the Accounting Firm to deliver a written report within such thirty (30) day period containing its calculation of (A) the Disputed Objections (which calculation shall not be a value greater than the greatest value for such Disputed Objection claimed by the Representative or Buyer nor smaller than the smallest value for such Disputed Objection claimed by the Representative or Buyer) and (B) the Final Closing Purchase Price (as defined below) as of the Closing Date based upon items not in dispute and the Disputed Objections determined by the Accounting Firm. All Objections that are resolved between the Representative and Buyer and all Disputed Objections that are determined by the Accounting Firm will be final, conclusive and binding on the Parties. The terms of appointment of the Accounting Firm shall be as agreed upon between the Representative and Buyer, and any related costs and expenses of the Accounting Firm shall be borne pro rata between Buyer, on the one hand, and the

Representative, on the other hand, in proportion to the final allocation made by the Accounting Firm of the Disputed Objections in relation to the claims made by the Representative and Buyer, such that the prevailing party pays the lesser proportion of such costs and expenses. The Representative and Buyer shall enter into an engagement letter with the Accounting Firm, including customary indemnity and other provisions.

(c) **Access; Cooperation.** From and after the date of the delivery of the Closing Statement until the time that the Final Closing Purchase Price is finally determined pursuant to **Section 2.02(b)**, each of CPS and Buyer shall, and shall cause the Company and its Subsidiaries to, make their Contracts, books and records (including accounting or financial records), personnel (including accounting or financial personnel and counsel of CPS or Buyer or the Company or any of its Subsidiaries) and advisors and representatives available to the Representative and Sellers and their respective accountants, counsel, financial advisors and other representatives and the Accounting Firm at reasonable times (and each of CPS and Buyer shall cooperate with and provide assistance to, and shall cause the personnel, advisors and representatives of each of CPS and Buyer and the Company and its Subsidiaries to cooperate with and provide assistance to, the Representative and Sellers and their respective accountants, counsel, financial advisors and other representatives and the Accounting Firm) for the purpose of conducting the review by the Representative (or Sellers) or review by the Accounting Firm, as applicable, of the Closing Statement, and the resolution of any Objections or Disputed Objections with respect to the Closing Statement. From and after the Closing, neither CPS nor Buyer shall take (and each of CPS and Buyer shall cause the Company and its Subsidiaries not to take) any actions with respect to the books, records (including accounting or financial records), policies or procedures of CPS or Buyer or the Company or any of its Subsidiaries intended to obstruct, prevent or interfere with the review or evaluation of the Closing Statement and the resolution of any Objections or Disputed Objections with respect to the Closing Statement.

(d) **Adjustments.**

(i) If the Closing Purchase Price as finally determined pursuant to **Section 2.02(b)** (the “**Final Closing Purchase Price**”) exceeds the Estimated Closing Purchase Price, then, (A) within three (3) Business Days after the date on which the Final Closing Purchase Price is finally determined pursuant to **Section 2.02(b)**, Buyer shall, or shall cause the Company to, pay to Representative an amount equal to such excess (less any amount already paid by Buyer to Sellers pursuant to **Section 2.02(b)(i)**) and (B) within three (3) Business Days after receipt by the Representative of the payment from Buyer (or the Company) set forth in this **Section 2.02(d)(i)**, the Representative shall pay to each Seller an amount equal to the amount of such excess received from Buyer (or the Company) pursuant to this **Section 2.02(d)(i)** *multiplied by* such Seller’s Ownership Percentage.

(ii) If the Final Closing Purchase Price is less than the Estimated Closing Purchase Price, then, within three (3) Business Days after the date on which the Final Closing Purchase Price is finally determined pursuant to **Section 2.02(b)**, Buyer and the Representative shall deliver written instructions to the Escrow Agent instructing the Escrow Agent to disburse to Buyer from the Escrow Account an amount equal to such shortfall (up to a maximum amount equal to the amount remaining in the Escrow Account), and if the amount remaining in the Escrow Account is insufficient to pay Buyer the entire amount of such shortfall, then such shortfall shall be disregarded for all purposes. For the

avoidance of doubt, the maximum amount that Buyer may receive pursuant to this **Section 2.02(d)(ii)** is the amount remaining in the Escrow Account.

(e) **Accounting Procedures.** The Estimated Closing Statement, the Closing Statement and the determinations and calculations contained therein shall be prepared and calculated in accordance with this Agreement, GAAP and the Accounting Methodology.

(f) **Payments.** All payments to be made pursuant to this **Section 2.02** shall be made by wire transfer of immediately available funds free of costs and charges to an account that the recipient has designated in writing at least two (2) Business Days prior to the date on which such payment is to be made.

(g) **Adjustments for Tax Purposes.** Any payments made pursuant to this **Section 2.02** shall be treated as an adjustment to the Closing Purchase Price by the Parties for Tax purposes, unless otherwise required by Law.

Section 2.03 IBNR.

(a) **IBNR Closing Statement.**

(i)

[REDACTED]

(ii) Within thirty (30) days following receipt by the Representative of the IBNR Closing Statement (the “**IBNR Review Period**”), the Representative shall deliver written notice (an “**IBNR Objection Notice**”) to Buyer of any dispute the Representative (or any of the Sellers) has with respect to the preparation or content of the IBNR Closing Statement. If the Representative does not deliver an IBNR Objection Notice with respect to the IBNR Closing Statement within the IBNR Review Period, the IBNR Closing Statement and any amount, determination or calculation therein of the Actual IBNR Amount shall be final, conclusive and binding on the Parties. If an IBNR Objection Notice is delivered within the IBNR Review Period, the Representative and Buyer shall negotiate in good faith to resolve each dispute raised therein (each, an “**IBNR Objection**”) during the thirty (30) days immediately

following the delivery of the IBNR Objection Notice (the “**IBNR Consultation Period**”). If the Representative and Buyer, notwithstanding such good faith efforts, fail to resolve any IBNR Objection within the IBNR Consultation Period (each, a “**IBNR Disputed Objection**”), then the Representative and Buyer shall jointly engage the Accounting Firm to resolve only the IBNR Disputed Objections (acting as an expert and not an arbitrator) in accordance with this Agreement as soon as practicable thereafter (but in any event within thirty (30) days after such engagement of the Accounting Firm). The Representative and Buyer shall use commercially reasonable efforts to cause the Accounting Firm to deliver a written report within such thirty (30) day period containing its calculation of (A) the IBNR Disputed Objections (which calculation shall not be a value greater than the greatest value for such IBNR Disputed Objection claimed by the Representative or Buyer nor smaller than the smallest value for such IBNR Disputed Objection claimed by the Representative or Buyer) and (B) the Actual IBNR Amount based upon items not in dispute and the IBNR Disputed Objections determined by the Accounting Firm. All IBNR Objections that are resolved between the Representative and Buyer and all IBNR Disputed Objections that are determined by the Accounting Firm will be final, conclusive and binding on the Parties. The terms of appointment of the Accounting Firm shall be as agreed upon between the Representative and Buyer, and any related costs and expenses of the Accounting Firm shall be borne pro rata between Buyer, on the one hand, and the Representative, on the other hand, in proportion to the final allocation made by the Accounting Firm of the IBNR Disputed Objections in relation to the claims made by the Representative and Buyer, such that the prevailing party pays the lesser proportion of such costs and expenses. The Representative and Buyer shall enter into an engagement letter with the Accounting Firm, including customary indemnity and other provisions.

(b) **Access; Cooperation.** From and after the date of the delivery of the IBNR Closing Statement until the time that the Actual IBNR Amount is finally determined pursuant to **Section 2.03(a)(ii)**, each of CPS and Buyer shall, and shall cause the Company and its Subsidiaries to, make its Contracts, books and records (including accounting or financial records), personnel (including accounting or financial personnel and counsel of CPS or Buyer or the Company or any of its Subsidiaries) and advisors and representatives available to the Representative and Sellers and their respective accountants, counsel, financial advisors and other representatives and the Accounting Firm at reasonable times (and each of CPS and Buyer shall cooperate with and provide assistance to, and shall cause the personnel, advisors and representatives of each of CPS and Buyer and the Company and its Subsidiaries to cooperate with and provide assistance to, the Representative and Sellers and their respective accountants, counsel, financial advisors and other representatives and the Accounting Firm) for the purpose of conducting the review by the Representative (or the Sellers) or review by the Accounting Firm, as applicable, of the IBNR Closing Statement, the determination of the Actual IBNR Amount, and the resolution of any IBNR Objections or IBNR Disputed Objections with respect to the IBNR Closing Statement. From and after the Closing, neither CPS nor Buyer shall take (and each of CPS and Buyer shall cause the Company and its Subsidiaries not to take) any actions with respect to the books, records (including accounting or financial records), policies or procedures of CPS or Buyer or the Company or its Subsidiaries intended to obstruct, prevent or interfere with the review or evaluation of the IBNR Closing Statement, the determination of the Actual IBNR Amount, and the resolution of any IBNR Objections or IBNR Disputed Objections with respect to the IBNR Closing Statement.

(c) **Adjustments.**

(i)

[REDACTED]

(ii)

[REDACTED]

(d) **Payments.** All payments to be made pursuant to this **Section 2.03** shall be made by wire transfer of immediately available funds free of costs and charges to an account that the recipient has designated in writing at least two (2) Business Days prior to the date on which such payment is to be made.

(e) **Adjustments for Tax Purposes.** Any payments made pursuant to this **Section 2.03** shall be treated as an adjustment to the Closing Purchase Price by the Parties for Tax purposes, unless otherwise required by Law.

Section 2.04 Transactions to be Effected at the Closing.

(a) At the Closing, Buyer shall:

(i) pay to Sellers an amount equal to the Sellers Closing Amount minus the amount of the Sellers Payables (as set forth in the Sellers Payables Schedule); with each Seller receiving an amount equal to (A) the Sellers Closing Amount *multiplied by* such Seller's Ownership Percentage minus (B) the Sellers Payables, if any, owed by such Seller or its Affiliates as of the Closing (as set forth in the Sellers Payables Schedule);

(ii) pay to the Escrow Agent an amount equal to the Escrow Amount to be deposited in the Escrow Account and held by the Escrow Agent pursuant to the terms and conditions of the Escrow Agreement;

(iii) pay to the Representative an amount equal to the Representative Expense Amount;

(iv) pay all Sellers Expenses set forth in the Sellers Expenses Schedule to the applicable Person(s) set forth in the Sellers Expenses Schedule (pursuant to the wire instructions for such Person(s) set forth in the Sellers Expenses Schedule);

(v) pay all Closing Indebtedness set forth in the Indebtedness Pay-Off Schedule (if any) to the applicable Person(s) set forth in the Indebtedness Pay-Off Schedule (pursuant to the wire instructions for such Person(s) set forth in the Indebtedness Pay-Off Schedule or in the applicable payoff letters provided by such Person(s));

(vi) deliver to Sellers and the Representative (A) the Escrow Agreement executed by Buyer and the Escrow Agent and (B) all other Transaction Documents to which Buyer or CPS is a party executed by Buyer and CPS, as applicable; and

(vii) deliver to Sellers and the Representative all other agreements, documents, instruments or certificates required to be delivered by Buyer at or prior to the Closing pursuant to **Section 7.01** and **Section 7.03**.

(b) At the Closing, Sellers shall deliver to Buyer:

(i) certificate(s) representing the Shares, duly endorsed in blank or accompanied by stock powers or any other proper instrument of assignment endorsed in blank in proper form for transfer, in each case notarized or signature guaranteed warranting ownership of all rights in and title, without any Liens, to such stock;

(ii) the Escrow Agreement executed by the Representative;

(iii) payoff letters from each Person set forth in the Indebtedness Pay-Off Schedule to whom Closing Indebtedness is owed (if any); and

(iv) all other agreements, documents, instruments or certificates required to be delivered by Sellers at or prior to the Closing pursuant to **Section 7.01** and **Section 7.02**.

(c) All payments to be made pursuant to **Section 2.04(a)** shall be made at Closing by wire transfer of immediately available funds free of costs and charges to an account that Sellers, the Company or the Representative (or the recipient) has designated in writing at least two (2) Business Day prior to the Closing Date.

Section 2.05 Closing. Subject to the terms and conditions of this Agreement, the purchase and sale of the Shares contemplated by this Agreement shall take place at a closing (the “**Closing**”) to be held at 10:00 a.m., Los Angeles, California time, on the last Business Day of the month during which the last of the conditions to Closing set forth in **Article VII** have been satisfied or waived (other than conditions which, by their nature, are to be satisfied on the Closing Date), at the offices of Foley & Lardner LLP, 555 S. Flower Street, Suite 3500, Los Angeles, California 90071, but no earlier than March 31, 2015, or at such other time or on such other date or at such other place as Representative and Buyer may mutually agree upon in writing (the day on which the Closing takes place being the “**Closing Date**”). The Closing shall be effective as of the Adjustment Time.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth in the Disclosure Schedules (and, with respect to any document referenced in the Disclosure Schedules as of the date of this Agreement, only to the extent that a complete copy of such document has been uploaded to the Company's data room or otherwise made available to Buyer or any of its representatives by 5:30 P.M. Pacific Time on the day prior to the date of this Agreement, subject to **Section 6.05**), the Company makes the following representations and warranties to Buyer as of the date of this Agreement and as of the Closing Date.

**Section 3.01 Organization and Qualification of the Company and its Subsidiaries;
Authority of the Company.**

(a) Each of the Company and its Subsidiaries is an entity duly organized, validly existing and in good standing (if applicable) under the Laws of the jurisdiction of its incorporation or organization. Each of the Company and its Subsidiaries has the requisite corporate or limited liability company, as applicable, power and authority to own, lease and operate its properties and to carry on its businesses as presently conducted, in every case, in all material respects. Each of the Company and each of its Subsidiaries is duly qualified or licensed to transact business and is in good standing (if applicable) in each jurisdiction in which the property and assets owned, leased or operated by it, or the nature of the business conducted by it, makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed or in good standing would not have a Material Adverse Effect. The Company or Sellers have delivered to Buyer correct and complete copies of the Governing Documents of the Company and each of its Subsidiaries, together with all amendments, modifications or supplements thereto and neither the Company nor any of its Subsidiaries is in violation of such Governing Documents.

(b) The Company has the requisite corporate or limited liability company, as applicable, power and authority to execute and deliver this Agreement and each other Transaction Document to be executed and delivered by the Company pursuant hereto and to consummate the Transactions. The execution and delivery by the Company of this Agreement and the other Transaction Documents to be executed and delivered by the Company pursuant hereto and the consummation by the Company of the Transactions have been duly authorized by all necessary corporate action on the part of the Company. Assuming due authorization, execution and delivery by each of the other Parties, this Agreement constitutes, and when executed and delivered, the other Transaction Documents to be executed and delivered by the Company on or prior to the Closing pursuant hereto will constitute, valid and binding agreements of the Company, enforceable against the Company in accordance with their respective terms, except as such may be limited by bankruptcy, insolvency, reorganization, moratorium or other Laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 3.02 Capitalization. **Section 3.02 of the Disclosure Schedules** sets forth as of the Closing Date (a) the authorized capital stock of the Company, (b) the total number of Shares that are issued and outstanding, and (c) the name and number of Shares held by each shareholder of the Company. The Shares have been duly authorized and validly issued, are fully paid and non-assessable and are owned

of record by the shareholders of the Company described on **Section 3.02 of the Disclosure Schedules**. Except for the Shares or as set forth in **Section 3.02 of the Disclosure Schedules**, there are outstanding (i) no other equity securities of the Company, (ii) no securities of the Company convertible into or exchangeable for, at any time, equity securities of the Company, and (iii) no options, warrants, pledges, calls, puts, or other rights to acquire from the Company, and no obligation of the Company to issue, any equity securities or securities convertible into or exchangeable for equity securities of the Company or capital stock of the Company or any rights or interests exercisable therefor. There are no outstanding or authorized stock appreciation, phantom units or similar rights with respect to the Company. Except for this Agreement or the other Transaction Documents or as set forth in **Section 3.02 of the Disclosure Schedules**, the Company is not a party to any Contract with respect to the voting, purchase, redemption or acquisition of, or the declaration or payment of any distribution on, any of the Shares.

Section 3.03 Subsidiaries. **Section 3.03 of the Disclosure Schedules** sets forth (i) a list of each Subsidiary of the Company, all of the equity securities of each of which are directly or indirectly owned by the Company, free and clear of all Liens, and (ii) a list of any Person in which the Company or any Subsidiary of the Company holds any equity interest, the name of the holder of the equity securities and the amount of equity securities owned by each equity holder, and all such equity securities are directly or indirectly owned by the Company. Except as set forth on **Section 3.03 of the Disclosure Schedules**, neither the Company nor any Subsidiary of the Company owns any ownership or equity interest in, or any interest convertible into or exchangeable or exercisable for any ownership or equity interest in, any Person. All of the outstanding equity securities of each Subsidiary of the Company that are owned by the Company (or another Subsidiary of the Company) have been duly authorized and validly issued and are fully paid and non-assessable. Except as set forth in **Section 3.03 of the Disclosure Schedules**, there are outstanding (a) no other equity securities of the Subsidiaries of the Company, (b) no securities of the Subsidiaries of the Company convertible into or exchangeable for, at any time, equity securities of the Subsidiaries of the Company, and (c) no options, warrants, pledges, calls, puts, or other rights to acquire from the Subsidiaries of the Company, and no obligation of the Subsidiaries of the Company to issue, any equity securities or securities convertible into or exchangeable for equity securities of the Subsidiaries of the Company or capital stock of the Subsidiaries of the Company or any rights or interests exercisable therefor. There are no outstanding or authorized stock appreciation, phantom units, profits interests or similar rights with respect to the any of the Subsidiaries of the Company. Except for this Agreement or the other Transaction Documents or as set forth in **Section 3.03 of the Disclosure Schedules**, neither the Company nor its Subsidiaries is a party to any Contract with respect to the voting, purchase, redemption or acquisition of, or the declaration or payment of any distribution on, any of the equity securities of the Subsidiaries of the Company.

Section 3.04 Consents and Approvals; No Violations

(a) No notice to, filing with, or authorization, consent or approval of any Governmental Entity is necessary for the execution, delivery or performance by the Company of this Agreement or the other Transaction Documents to which the Company is a party or the execution, delivery or performance by any Subsidiary of the Company of any Transaction Documents to which such Subsidiary of the Company is a party or the consummation by the Company of the Transactions, except for (i) compliance with and filings under the HSR Act, (ii) the filing and subsequent approval of the Notice of Material Modification by the DMHC, (iii) any notices which might be determined to be due to CMS, with respect

to a “change of ownership” affecting the Company’s and its Subsidiaries’ Medicare Part C operations, (iv) any notices and/or approvals which might be determined to be due to DHCS or L.A. Care with respect to a “change of ownership” affecting Medi-Cal participation, (v) any notices and/or approvals which might be determined to be due to AHCCCS, the Arizona Department of Insurance or the Arizona Department of Economic Security, (vi) any notices, filings, authorizations, consents or approvals, required or that become applicable to, with or from the TDI, as appropriate, as a result of the change in control of Company, (vii) any notices, filings, authorizations, consents or approvals required or that become applicable solely as a result of the regulatory status of Buyer, CPS or any of their respective Affiliates, (viii) any notices, filings, authorizations, consents or approvals set forth in **Section 5.02** or (ix) as set forth in **Section 3.04 of the Disclosure Schedules**.

(b) Neither the execution, delivery or performance by the Company of this Agreement or the other Transaction Documents to which the Company is a party nor the execution, delivery or performance by any Subsidiary of the Company of any Transaction Documents to which such Subsidiary of the Company is a party nor the consummation by the Company of the Transactions will (i) conflict with or result in any breach of any provision of any of the Governing Documents of the Company or its Subsidiaries, (ii) assuming the proper filing or receipt of each notice, filing, authorization, consent or approval set forth in **Section 3.04(a)** (or **Section 3.04 of the Disclosure Schedules**), result in a violation or breach of, or cause acceleration, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any Material Contract to which the Company or any of its Subsidiaries is a party, (iii) assuming the proper filing or receipt of each notice, filing, authorization, consent or approval set forth in **Section 3.04(a)** (or **Section 3.04 of the Disclosure Schedules**), violate any Law, writ, injunction or decree of any Governmental Entity having jurisdiction over the Company or its Subsidiaries or any of their respective properties or assets (other than any Law, writ, injunction or decree that becomes applicable solely as a result of the regulatory status of Buyer or any of its Affiliates), or (iv) except with respect to Permitted Liens or as contemplated by any of the Transaction Documents, result in the creation of any Lien upon any of the assets of the Company or its Subsidiaries, which in the case of any of clauses (ii), (iii) and (iv) of this **Section 3.04(b)**, would have a Material Adverse Effect.

Section 3.05 Financial Statements. Copies of the audited consolidated financial statements of the Company and its Subsidiaries consisting of the consolidated balance sheet of the Company and its Subsidiaries as at December 31 in each of the years 2013, 2012 and 2011 and the related consolidated statements of income and retained earnings, shareholders’ equity and cash flow for the years then ended (the “**Audited Financial Statements**”), and unaudited consolidated financial statements of the Company and its Subsidiaries consisting of the consolidated balance sheet of the Company and its Subsidiaries as at September 30, 2014 and the related consolidated statements of income and retained earnings, shareholders’ equity and cash flow for the nine-month period then ended (the “**Interim Financial Statements**” and together with the Audited Financial Statements, the “**Financial Statements**”) are included in the Disclosure Schedules or have been delivered or made available to Buyer prior to the date of this Agreement. The Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the period involved, subject, in the case of the Interim Financial Statements, to year-end adjustments and the absence of notes. The Financial Statements fairly present in all material respects (i) the financial condition of the Company and its Subsidiaries as of the respective dates they

were prepared (ii) the results of the operations of the Company and its Subsidiaries for the periods indicated; and (iii) the loss reserves and other actuarial amounts of the Company and its Subsidiaries that are engaged in the Business include provisions for all actuarial reserves that are required to be established in accordance with applicable Law; provided, however, that, other than with respect to the representation set forth in subsection (iii) above, none of the Sellers nor the Representative nor the Company nor any of its Subsidiaries make any representation or warranty in this Agreement regarding any estimate of the liability or obligation of the Company or any of its Subsidiaries set forth in any of the Financial Statements for claims for hospital or medical benefits that were provided to, or rendered on behalf of, Enrollees as of the date of the applicable Financial Statements that were not reported to, or processed by, the Company or its Subsidiaries as of the date of the applicable Financial Statements. The consolidated balance sheet of the Company and its Subsidiaries as of December 31, 2013 is referred to herein as the “**Balance Sheet**” and the date thereof as the “**Balance Sheet Date**” and the consolidated balance sheet of the Company and its Subsidiaries as of September 30, 2014 is referred to herein as the “**Interim Balance Sheet**” and the date thereof as the “**Interim Balance Sheet Date**”. The Company has not received any advice or notification from its independent certified public accountants that the Company has used any improper accounting practice that would have the effect of not reflecting or incorrectly reflecting in the Financial Statements any properties, assets, liabilities, revenues, or expenses of the Company or its Subsidiaries. At the Closing, all of the books and records of the Company and its Subsidiaries will be delivered to and in the possession of the Company.

Section 3.06 Absence of Changes and Undisclosed Liabilities.

(a) Except as contemplated by any of the Transaction Documents or as set forth in **Section 3.06 of the Disclosure Schedules**, from the Interim Balance Sheet Date until the date of this Agreement, (i) the Company and its Subsidiaries have operated in the Ordinary Course of Business in all material respects, (ii) the Company and its Subsidiaries have not suffered any change, development, circumstance, event or fact that has had a Material Adverse Effect, and (iii) the Company and its Subsidiaries have not taken any action that would be prohibited by **Section 6.01** if it were taken after the date of this Agreement and prior to the Closing.

(b) The Company and its Subsidiaries do not have any liability of the type required in accordance with GAAP to be set forth on a consolidated balance sheet of the Company and its Subsidiaries, except for liabilities or obligations (i) set forth on the face of the Interim Balance Sheet or the Balance Sheet or disclosed in the notes thereto, as applicable, (ii) that have arisen since the Interim Balance Sheet Date in the Ordinary Course of Business, (iii) for claims for hospital or medical benefits that have been provided to, or rendered on behalf of, Enrollees that have not been reported to, or processed by, the Company or its Subsidiaries (or for IBNR), (iv) arising under Contracts to which the Company or its Subsidiaries are a party or otherwise bound that are connected with the future performance under such Contracts in accordance with the terms thereof (but excluding any liability arising, directly or indirectly, as a result of or in connection with any breach of any such Contract or violation of Laws), or (v) set forth in **Section 3.06 of the Disclosure Schedules**.

(c) Except as set forth in **Section 3.06 of the Disclosure Schedules** or in the Financial Statements (including the notes thereto), the Company and its Subsidiaries do not have any off-balance sheet obligations that by the nature of their terms will or are likely to ultimately be deemed to be or treated as debt of the Company or its Subsidiaries.

Section 3.07 Material Contracts.

(a) The following Contracts to which Company or its Subsidiaries are a party as of the date hereof are set forth in **Section 3.07 of the Disclosure Schedules**:

- (i) Each Material Health Care Provider Contract;
- (ii) Each Contract with any Governmental Entity, including any management services organization Contract;
- (iii) Each Contract with any officer, individual employee or independent contractor on a full time, part time, consulting or other basis providing annual compensation in excess of [REDACTED] (other than any "at will" Contract that may be terminated by the Company or any of its Subsidiaries upon sixty (60) days or less advance notice);
- (iv) Each Contract or indenture relating to Indebtedness;
- (v) Each lease of real property pursuant to which the Company or any of its Subsidiaries is a tenant or landlord;
- (vi) Each lease under which the Company or any of its Subsidiaries is lessee of any tangible property (other than real property), owned by any other Person, except for any lease under which the aggregate annual rental payments do not exceed [REDACTED];
- (vii) Each lease under which the Company or any of its Subsidiaries is lessor of any tangible property (other than real property), owned by the Company or any of its Subsidiaries, except for any lease under which the aggregate annual rental payments do not exceed [REDACTED];
- (viii) Each partnership agreement or joint venture agreement relating to the Company or any of its Subsidiaries;
- (ix) Each Contract containing covenants that restrict or prohibit the business activity of the Company or any of its Subsidiaries, including most favored nations or most favored customer provisions, rights of first or last refusal or first or last negotiation, geographic restrictions and non-competition and non-solicitation covenants (other than employee non-solicitation covenants), exclusive distribution and marketing arrangements and exclusive licenses (other than group purchasing organization Contracts entered into in the Ordinary Course of Business);
- (x) Each material Contract pertaining to any Company Intellectual Property;
- (xi) Each collective bargaining agreement or other written Contract with any labor union or any employee organization;
- (xii) Each Contract relating to the future disposition or acquisition of material assets by the Company or any of its Subsidiaries, or any future merger or business combination with respect to the Company or any of its Subsidiaries, other than dispositions or acquisitions of assets from vendors, suppliers or customers in the Ordinary Course of Business;
- (xiii) Each Contract that provides for contingent payments by or to the Company or any of its Subsidiaries of more than [REDACTED] in the aggregate during the twelve (12) month period beginning on September 30, 2013 and ending on September 30, 2014 (other than Contracts with customers, vendors or suppliers entered into in the Ordinary Course of Business);

(xiv) Each other Contract entered into and effective during the nine (9) months ended September 30, 2014 that involves the expenditure or payment by the Company or any of its Subsidiaries of more than [REDACTED] in the aggregate during any twelve (12) month period;

(xv) Each Contract containing any “earn out,” “milestone” or other similar payment obligations of the Company or any of its Subsidiaries;

(xvi) Each Contract containing any change of control clause relating to the Company or any of its Subsidiaries;

(xvii) Each Contract that is a reinsurance or coinsurance agreement or retrocession treaty to which the Company or any of its Subsidiaries is a party as a cedent or any such agreement that is terminated or expired but under which there remains any material outstanding liability, in each case other than any intercompany agreements or Contracts;

(xviii) Each Contract with any of the ten (10) largest external sales agents, brokers or producers as measured in terms of compensation paid during the twelve (12) months ended September 30, 2014, including any Contract pursuant to which the Company or any of its Subsidiaries pays any such external sales agents, brokers or producers any bonuses, overrides or other similar contingent compensation; or

(xix) Contracts that contain minimum purchase conditions, including but not limited to managed care system Contracts and pharmacy benefit management Contracts.

(Contracts or agreements of the types specified in clause (i)-(xix) above to which the Company or any of its Subsidiaries is a party as of the date hereof, are collectively referred to as “**Material Contracts**”).

(b) Except as set forth in **Section 3.07 of the Disclosure Schedules**, (i) each Material Contract is valid and binding on the Company or its Subsidiaries (as applicable) and enforceable in accordance with its terms against the Company or its Subsidiaries (as applicable), in all material respects (subject to applicable bankruptcy, insolvency, reorganization, moratorium or other Laws affecting generally the enforcement of creditors’ rights and subject to general principles of equity), (ii) the Company and its Subsidiaries have performed in all material respects all obligations required to be performed by the Company and its Subsidiaries under each Material Contract, (iii) there exists no event, condition or occurrence which, after notice or lapse of time, or both, would constitute a material default by the Company or its Subsidiaries under any Material Contract, and (iv) since January 1, 2013, the Company and its Subsidiaries have not received written notice or written threat of any breach, default or termination or re-negotiation under any Material Contract. The Company or the Sellers have delivered or made available to Buyer correct and complete copies of all of the Material Contracts, together with all amendments, modifications or supplements thereto.

Section 3.08 Legal Proceedings; Governmental Orders.

(a) Except as set forth in **Section 3.08 of the Disclosure Schedules** or for Claims arising in the Ordinary Course of Business for payment for medical services that have been, or will be, provided, there are no Claims pending or, to Company's Knowledge, threatened against the Company, its Subsidiaries or, to the Company's Knowledge, any of their respective executive officers or board members (in their capacity as such), which if determined adversely to the Company or its Subsidiaries would have, individually or in the aggregate, a Material Adverse Effect.

(b) Except as set forth in **Section 3.08 of the Disclosure Schedules**, there are no outstanding or open Governmental Orders and no unsatisfied judgments, penalties or awards against the Company or its Subsidiaries or any of the properties or assets of the Company or its Subsidiaries which would, individually or in the aggregate, have a Material Adverse Effect.

(c) Except as set forth in **Section 3.08 of the Disclosure Schedules**, to the Company's Knowledge, there are no audits, reviews, investigations, or other inquiries pending or threatened by a Governmental Entity against the Company or its Subsidiaries or any of the properties or assets of the Company or its Subsidiaries, which if determined adversely to the Company or its Subsidiaries would have, individually or in the aggregate, a Material Adverse Effect.

(d) **Section 3.08 of the Disclosure Schedules** sets forth a complete and correct list and description of all Claims (other than Claims arising in the Ordinary Course of Business for payment for medical services that have been, or will be, provided) made, filed or otherwise initiated in connection with the Company and its Subsidiaries that have been resolved since January 1, 2013 and which resulted in criminal sanctions or payments by the Company and its Subsidiaries in excess of [REDACTED].

(e) The Company has delivered or made available to Buyer all responses of legal counsel for the Company and its Subsidiaries to auditors' requests for information delivered in connection with preparation of the Financial Statements (together with any updates provided by such counsel) regarding any Claims pending or threatened against the Company or its Subsidiaries.

Section 3.09 Title to Properties.

(a) Except as set forth in **Section 3.09 of the Disclosure Schedules**, the Company and its Subsidiaries own good title to, or hold pursuant to valid and enforceable leases, all of the personal property shown to be owned or leased by them on the Balance Sheet, free and clear of all Liens, except for Permitted Liens and except for assets disposed of by the Company or its Subsidiaries in the Ordinary Course of Business since the Balance Sheet Date, which are not, in the aggregate, material in amount.

Section 3.10 Compliance With Laws; Permits.

(a) Except as set forth in **Section 3.10 of the Disclosure Schedules**, the Company and its Subsidiaries are in compliance with, and, since January 1, 2013, have complied with, all Laws applicable to the business, properties or assets of the Company and its Subsidiaries, except where the failure to be in compliance would not directly result, or reasonably be expected to directly result, individually or in the aggregate, in a Material Adverse Effect. No written notice has been received by the Company or any of its Subsidiaries alleging a material violation of or material liability or material potential responsibility under any such Law which is pending or remains unresolved.

(b) All material Permits required for the Company and its Subsidiaries to conduct the Business have been obtained by the Company or its Subsidiaries and are valid and in full force and effect.

(c) None of the representations and warranties contained in this **Section 3.10** shall be deemed to relate to employee benefits matters (which are governed by **Section 3.11**), environmental matters (which are governed by **Section 3.15**), employment matters (which are governed by **Section 3.17**), tax matters (which are governed by **Section 3.18**), or healthcare regulatory matters (which are governed by **Section 3.21**).

(d) Since January 1, 2013, neither the Company nor any of its Subsidiaries, nor, to the Company's Knowledge, any manager, board member or officer nor, to the actual knowledge of [REDACTED], any employee of the Company or any of its Subsidiaries has directly or indirectly in violation of applicable Law: (x) made any contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to any Person, private or public, regardless of form, whether in money, property, or services (i) to obtain favorable treatment in securing business, (ii) to pay for favorable treatment for business secured, or (iii) to obtain special concessions or for special concessions already obtained, for or in respect of the Company or any of its Subsidiaries or any Affiliate of the Company or any of its Subsidiaries, or (y) established or maintained any fund or asset that has not been recorded in the books and records of the Company or its Subsidiaries.

(e) Except as set forth in **Section 3.10 of the Disclosure Schedules**, since January 1, 2013, no Seller nor any of their respective Affiliates (other than the Company and its Subsidiaries) has made or received any direct or indirect payment to any employee, officer, director, consultant, advisor, agent or representative of the Company or its Subsidiaries in connection with the Business.

Section 3.11 Employee Benefit Plans. Section 3.11 of the Disclosure Schedules lists all Employee Benefit Plans. Except as set forth in **Section 3.11 of the Disclosure Schedules**:

(a) No Employee Benefit Plan (i) is either a Multiemployer Plan or a plan that is subject to Title IV of ERISA, and the Company and its Subsidiaries have not, nor, to the Company's Knowledge, has any ERISA Affiliate, (A) withdrawn at any time within the preceding six (6) years from any Multiemployer Plan or incurred any withdrawal liability which remains unsatisfied or (B) maintained, contributed to or had any obligation to maintain or contribute to a plan that is subject to Title IV of ERISA, or (ii) provides health, medical or life insurance benefits to former employees of the Company or its Subsidiaries other than health continuation coverage pursuant to COBRA;

(b) Each Employee Benefit Plan has been maintained and administered, in each case, in all material respects in compliance with its terms and with the applicable requirements of ERISA, the Code and any other applicable Laws, including Section 409A of the Code;

(c) Each Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Code has received a currently effective favorable determination letter from the Internal Revenue Service or is the subject of a currently effective favorable opinion letter from the Internal Revenue Service on the form of such Employee Benefit Plan and, to the Company's Knowledge, there are no facts or circumstances that would be reasonably likely to adversely affect the qualified status of any such Employee Benefit Plan in any material respect;

(d) The Company and its Subsidiaries have not engaged in any transaction with respect to any Employee Benefit Plan that would be reasonably likely to subject the Company or its Subsidiaries to any material Tax or penalty imposed by ERISA, the Code or other applicable Law;

(e) With respect to each material Employee Benefit Plan, the Sellers or the Company has made available to Buyer copies, to the extent applicable, of (i) the plan and trust documents and the most recent summary plan description, (ii) the most recent annual report (Form 5500 series), (iii) the most recent financial statements, (iv) the most recent Internal Revenue Service determination or opinion letter, (v) any material associated administrative agreements or insurance policies and (vi) any election made under Section 83(b) of the Code;

(f) No amount that could be received, solely as a result of the consummation of the Transactions (either alone or in combination with any other event, including termination of employment), by any employee, director or other service provider of the Company or its Subsidiaries under any Employee Benefit Plan would be subject to an excise tax under Section 4999 of the Code;

(g) Neither the execution and delivery of this Agreement nor the consummation of the Transactions (either alone or in combination with any other event, including termination of employment) will (i) result in any material payment becoming due, or increase the amount of any compensation or benefits due, to any current or former employee of the Company or its Subsidiaries under any Employee Benefit Plan in any material respect; (ii) increase any material benefits otherwise payable under any Employee Benefit Plan; or (iii) result in the acceleration of the time of payment or vesting of any such compensation or benefits;

(h) There are no liabilities relating to unfunded obligations with respect to supplemental benefit plans of the Company or its Subsidiaries;

(i) There are no pending, threatened or anticipated claims by or on behalf of any Employee Benefit Plan by any employee or beneficiary covered under any such Employee Benefit Plan, or otherwise involving any such Employee Benefit Plan (other than routine claims for benefits); and

(j) No Employee Benefit Plan is subject to the laws of a jurisdiction outside the United States.

The representations and warranties set forth in this **Section 3.11** are the Company's sole and exclusive representations and warranties regarding employment benefit matters and Employee Benefit Plans.

Section 3.12 Personal Property; Real Property.

(a) Except as set forth in **Section 3.12 of the Disclosure Schedules**, the Company or one or more of its Subsidiaries own or hold under valid leases all machinery, equipment and other personal property (excluding, for the avoidance of doubt, Intellectual Property) necessary for the conduct of the businesses of the Company and its Subsidiaries as currently conducted on the date of this Agreement, subject to no Liens except for Permitted Liens (or Liens set forth in **Section 3.12 of the Disclosure Schedules**).

(b) **Section 3.12 of the Disclosure Schedules** sets forth the street address of each parcel of real property owned by the Company or any of its Subsidiaries. There are no condemnation, expropriation or other proceeding in eminent domain, pending or, to the Company's Knowledge,

threatened, affecting any parcel of real property owned by the Company or any of its Subsidiaries. Copies of all deeds, existing title insurance policies, current preliminary title reports and surveys of or pertaining to each parcel of real property owned by the Company or any of its Subsidiaries that are in the possession or control of the Company have been provided or made available to Buyer. With respect to each parcel of real property owned by the Company or any of its Subsidiaries: (i) the Company or one or more of its Subsidiaries has good and marketable fee simple title to such owned real property which is free and clear of all Liens other than Permitted Liens, (ii) there are no leases, subleases, licenses, concessions, or other Contracts granting to any Person the right of use or occupancy of any portion of such owned real property, and (iii) there are no outstanding options or rights of refusal to purchase such owned real property (other than the right of Buyer pursuant to this Agreement).

(c) **Section 3.12 of the Disclosure Schedules** sets forth each lease of real property pursuant to which the Company or any of its Subsidiaries is a tenant and copies of all such leases have been provided or made available to Buyer. The leases of real property listed on **Section 3.12 of the Disclosure Schedules** as being leased or licensed by the Company or its Subsidiaries are in full force and effect (subject to applicable bankruptcy, insolvency, reorganization, moratorium or other Laws affecting generally the enforcement of creditors' rights and subject to general principles of equity), and the Company or one or more of its Subsidiaries holds a valid and existing leasehold interest under each such lease.

Section 3.13 Intellectual Property.

(a) **Section 3.13 of the Disclosure Schedules** lists all registered Company Intellectual Property and applications therefor. Except as set forth in **Section 3.13 of the Disclosure Schedules**, the Company or one or more of its Subsidiaries own or has the right to use all Intellectual Property necessary to conduct the business of the Company and its Subsidiaries as currently conducted on the date of this Agreement.

(b) Except as set forth in **Section 3.13 of the Disclosure Schedules**: (i) to the Knowledge of the Company, the Company Intellectual Property as currently licensed or used by the Company and its Subsidiaries, and the conduct of the Business, does not infringe, violate or misappropriate the Intellectual Property of any Person; (ii) neither the Company nor any of its Subsidiaries have received any written claims within the past twelve (12) months that they have infringed or misappropriated the Intellectual Property or any right of privacy of any third party, (iii) to the Knowledge of the Company, no Person is infringing, violating or misappropriating any Company Intellectual Property, and (iv) there are no suits, actions or proceedings pending with regard to the Company Intellectual Property.

(c) The Company Intellectual Property is free and clear of Liens (except Permitted Liens).

(d) To the Knowledge of the Company, all of the Company's and its Subsidiaries' licenses for Intellectual Property owned by a third Person are valid and subsisting.

(e) The Company and each of its Subsidiaries takes and has taken commercially reasonable actions to protect the integrity and security, as applicable, of the software, databases, systems, networks and Internet websites that it owns or is licensed to use and all information stored or contained therein or transmitted thereby from any unauthorized use, access, interruption or modification by any other Person.

The Company and each of its Subsidiaries has implemented commercially reasonable back-up, security and disaster recovery technology.

(f) To the Knowledge of the Company, the Company and its Subsidiaries have complied with all applicable Laws, and their own rules, policies, and procedures, relating to privacy, data protection, and the collection and use of personal information. No written claims have been asserted against the Company or any of its Subsidiaries alleging a violation of any Person's privacy rights, personal information, or data rights, and the consummation of the transactions contemplated by this Agreement will not, to the Knowledge of the Company, result in any such violation.

(g) **Section 3.13 of the Disclosure Schedules** lists all material Contracts currently in effect under which (i) the Company or any of its Subsidiaries has granted an Intellectual Property license to any third Person and (ii) any third Person has granted an Intellectual Property license to the Company or any of its Subsidiaries (other than Contracts for non-customized commercial "off-the-shelf" software). True, complete and correct copies of all such licenses have been made available to Buyer. To the Knowledge of the Company, all such licenses are in full force and effect (subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting the rights and remedies of creditors generally or by general equitable principles), and neither the Company or any Subsidiary of the Company, as applicable or, to the Knowledge of the Company, any other party thereto is in material breach thereof.

Section 3.14 Insurance. Section 3.14 of the Disclosure Schedules sets forth a list, as of the date hereof, of all material insurance policies currently in force and maintained by the Company or its Subsidiaries (collectively, the "**Insurance Policies**") and copies of such Insurance Policies have been made available to the Buyer. Except as would not have, individually or in the aggregate, a Material Adverse Effect, as of the date of this Agreement, (i) the Insurance Policies are legal, valid, binding and enforceable and in full force and effect on the date of this Agreement, (ii) to the Company's Knowledge, neither the Company nor any of its Subsidiaries is in breach or default with respect to its obligations under the Insurance Policies, (iii) all premiums due on the Insurance Policies have been paid, (iv) none of the limits of coverage under the Insurance Policies have been exhausted or impaired by more than [REDACTED], (v) no written notice of cancellation has been received by the Company or any of its Subsidiaries with respect to any of the Insurance Policies, and (vi) no claims have been submitted for payment and not paid under any of the Insurance Policies and, to the Company's Knowledge, there is no existing default thereunder. **Section 3.14 of the Disclosure Schedules** sets forth any claims pending under any Insurance Policy in excess of [REDACTED].

Section 3.15 Environmental Matters.

(a) Except as set forth in **Section 3.15 of the Disclosure Schedules** or as would not have a Material Adverse Effect:

(i) the Company and its Subsidiaries are in compliance with all Environmental Laws;

(ii) neither the Company nor any of its Subsidiaries has received from any Person any (A) Environmental Notice or Environmental Claim, or (B) written request for information pursuant to

Environmental Law, which, in each case, either remains pending or unresolved, or is the source of ongoing obligations or requirements as of the date of this Agreement;

(iii) the Company or one or more of its Subsidiaries has obtained and is in material compliance with all Environmental Permits (each of which is disclosed in **Section 3.15 of the Disclosure Schedules**) necessary for the ownership, lease, operation or use of the business or assets of the Company and its Subsidiaries, that any such Environmental Permits are in full force and effect, valid and in good standing, and shall be maintained in full force and effect by the Company and its Subsidiaries through the Closing Date in accordance with Environmental Law, and neither the Company nor any of its Subsidiaries is aware of any environmental condition that would prevent or impede, after the Closing Date, the ownership, lease, operation or use of the Business or assets of the Company as currently conducted. With respect to any such Environmental Permits, the Company and/or its Subsidiaries has undertaken, or will undertake prior to the Closing Date, all commercially reasonable measures necessary to facilitate transferability of the same in connection with the Transactions, and neither the Company nor any of its Subsidiaries is aware of any condition, event or circumstance that would prevent or impede the transferability of the same in connection with the Transactions, nor has the Company or its Subsidiaries received any Environmental Notice or written communication regarding any material adverse change in the status or terms and conditions of the same, or that any such Environmental Permits are subject to any modification or revocation proceeding;

(iv) there has been no Release of Hazardous Materials with respect to the business of the Company and its Subsidiaries or, to the Company's Knowledge, any real property currently or formerly leased or owned by the Company or its Subsidiaries, nor has the Company or any of its Subsidiaries received an Environmental Notice that any real property currently or formerly owned, operated or leased in connection with the business of the Company and its Subsidiaries (including soils, groundwater, surface water, buildings and other structure located on any such real property) has been contaminated with any Hazardous Material which could reasonably be expected to result in an Environmental Claim against, or a violation of Environmental Law or term of any Environmental Permit by the Company nor any of its Subsidiaries;

(v) neither the Company nor any of its Subsidiaries has received an Environmental Notice that any real property currently leased by the Company or its Subsidiaries has been contaminated with any Hazardous Material which would reasonably be expected to result in an Environmental Claim against, or a violation of Environmental Laws or term of any Environmental Permit by, the Company or its Subsidiaries;

(vi) no real property currently or, to the Company's Knowledge formerly owned, operated or leased by the Company nor any of its Subsidiaries is listed on, or has been proposed for listing on, the National Priorities List (or CERCLIS) under CERCLA, or any similar state list;

(vii) to the Company's Knowledge, **Section 3.15 of the Disclosure Schedules** contains a complete and accurate list of all active or abandoned aboveground or underground storage tanks owned or operated by the Company and of which the Company has Knowledge;

(viii) to the Company's Knowledge, **Section 3.15 of the Disclosure Schedules** contains a complete and accurate list of all off-site Hazardous Materials treatment, storage, or disposal facilities or locations used by the Company or any of its Subsidiaries and any predecessors as to which the

Company or any of its Subsidiaries may retain liability, and none of these facilities or locations has been placed or proposed for placement on the National Priorities List (or CERCLIS) under CERCLA, or any similar state list, and neither Company nor any of its Subsidiaries has received any Environmental Notice regarding potential liabilities with respect to such off-site Hazardous Materials treatment, storage, or disposal facilities or locations used by the Company or any of its Subsidiaries;

(ix) Company has provided or otherwise made available to Buyer and listed in **Section 3.15 of the Disclosure Schedules**: (a) any and all environmental reports, studies, audits, records, sampling data, site assessments, risk assessments, economic models and other similar documents with respect to the business or assets of the Company and its Subsidiaries or any currently or formerly owned, operated or leased real property which are in the possession or control of the Company and its Subsidiaries related to compliance with Environmental Laws, Environmental Claims or an Environmental Notice or the Release of Hazardous Materials;

(b) The representations and warranties set forth in this **Section 3.15** are the Company's sole and exclusive representations and warranties regarding environmental matters.

Section 3.16 Transactions with Affiliates. Except as set forth in **Section 3.16 of the Disclosure Schedules** or for employment relationships or agreements or compensation or benefits in the Ordinary Course of Business: (a) no Seller or Affiliate, officer or board member of the Company or its Subsidiaries (other than the Company or its Subsidiaries) has any interest, direct or indirect, in any asset used in the Business or in any agreement with the Company or its Subsidiaries (each such agreement (other than any agreement for employment, compensation or benefits in the Ordinary Course of Business) referred to or disclosed pursuant to this **Section 3.16(a)** being a "**Related Party Agreement**"), (b) no Seller or Affiliate, officer or board member of the Company or its Subsidiaries (other than the Company or its Subsidiaries) is indebted to Company or its Subsidiaries for any amount in excess of \$10,000, and (c) no Seller or, to the Company's Knowledge, Affiliate, officer or board member of the Company or its Subsidiaries (other than the Company or its Subsidiaries) has any financial interest in any supplier or customer of the Company or any of its Subsidiaries; provided that ownership of five percent (5%) or less of any Person that has stock or securities listed on a national stock exchange shall not be deemed to be a financial interest for purposes of this **Section 3.16**.

Section 3.17 Employment Matters.

(a) Except as set forth in **Section 3.17 of the Disclosure Schedules**, neither the Company nor any of its Subsidiaries is a party to, or bound by, any collective bargaining or other agreement with a labor organization representing any of its Employees, and there are no collective bargaining agreements which pertain to the Employees. Except as set forth in **Section 3.17 of the Disclosure Schedules**, no Employees are represented by any labor organization. To the Knowledge of the Company and its Subsidiaries, (i) no labor organization or group of Employees has made a pending demand for recognition, and there are no representation proceedings or petitions seeking a representation proceeding presently pending or threatened to be brought or filed, with the National Labor Relations Board, and (ii) there is no organizing activity involving the Company or its Subsidiaries pending by any labor organization or group of Employees.

(b) There are no (i) strikes, work stoppages, slowdowns, lockouts or arbitrations or (ii) material grievances or other labor disputes pending or, to the Knowledge of Company or its Subsidiaries, threatened against the Company or its Subsidiaries involving any Employee. There are no unfair labor practice charges, grievances or complaints pending or, to the Knowledge of the Company or any of its Subsidiaries, threatened by or on behalf of any Employee.

(c) Except as set forth in **Section 3.17 of the Disclosure Schedules**, or as would not have a Material Adverse Effect, there are no Claims against the Company or any of its Subsidiaries pending or, to Knowledge of the Company or its Subsidiaries, threatened based on, arising out of, in connection with or otherwise relating to the employment or termination of employment or failure to employ by the Company or its Subsidiaries, of any individual.

(d) The Company and its Subsidiaries are in material compliance with all Laws relating to the employment of labor, including all such Laws relating to wages, hours, WARN and any similar state or local “mass layoff” or “plant closing” Law, collective bargaining, discrimination, civil rights, safety and health, workers’ compensation and the collection and payment of withholding and/or social security taxes, except to the extent non-compliance would not result in a Material Adverse Effect. There has been no “mass layoff” or “plant closing” (as defined by WARN) with respect to Company and its Subsidiaries within the six (6) months prior to the Closing Date.

(e) Except as set forth in **Section 3.17 of the Disclosure Schedules**, the Company and its Subsidiaries have properly completed a U.S. Citizenship and Immigration Services Form I-9 for each Employee, and the Company and its Subsidiaries are now, and have been for the past three (3) years, in compliance with all Laws governing work authorization in the United States covering the Employees.

(f) Except as set forth in **Section 3.17 of the Disclosure Schedules**, no third party has claimed or, to the Company’s Knowledge, has reason to claim that any Person employed by or affiliated with the Company or its Subsidiaries (i) has violated or may be violating any of the terms or conditions of such Person’s employment, non-competition, non-solicitation or non-disclosure agreement with such third party, (ii) has or may have disclosed or utilized any trade secret or proprietary information or documentation of such third party, or (iii) has interfered or may be interfering in the employment relationship between such third party and any of its present or former employees. No Person employed by or affiliated with the Company or its Subsidiaries has employed or has proposed to employ any trade secret or any information or documentation proprietary to any former employer or violated any confidential relationship which such person may have had with any third party, in connection with the development, sale, licensing, or other providing of any service or proposed service of the Company or its Subsidiaries.

(g) Neither the Company nor its Subsidiaries has received services from any Person whom the Company or its Subsidiaries have treated as an independent contractor, but who should have been treated as a common law employee.

(h) The representations and warranties set forth in this **Section 3.17** are the Company’s sole and exclusive representations and warranties regarding employment matters.

Section 3.18 Taxes.

(a) Except as set forth in **Section 3.18** of the Disclosure Schedules:

(i) The Company and its Subsidiaries have timely filed (taking into account any valid extensions) all material Tax Returns required to be filed by the Company and its Subsidiaries, and all such Tax Returns were, to the Company's Knowledge, true, correct and complete in all material respects when filed or validly amended. The Company paid all Taxes shown due on such Tax Returns. Neither the Company nor its Subsidiaries is currently the beneficiary of any extension of time within which to file any material Tax Return other than extensions of time to file Tax Returns obtained in the Ordinary Course of Business. All material Taxes due and owing by the Company and its Subsidiaries have been paid or adequately accrued on the Balance Sheet, whether or not required to be shown on any Tax Return.

(ii) No extensions or waivers of statutes of limitations have been given or requested with respect to any material Taxes of the Company and its Subsidiaries.

(iii) No power of attorney that is currently in force has been granted by the Company or its Subsidiaries with respect to any Tax matter.

(iv) There are no ongoing Claims by any Governmental Entity against the Company or its Subsidiaries related to Taxes. To the Company's Knowledge, there are no Liens for Taxes upon the assets or properties of the Company and its Subsidiaries other than Permitted Liens.

(v) No audit or other examination of any Tax Return of the Company is presently in progress or pending, nor has the Company been notified in writing of any audit or examination.

(vi) Neither the Company nor its Subsidiaries is a party to any Tax-sharing, allocation, indemnification or similar Contract or arrangements, other than pursuant to the customary provisions of any agreement entered into in the Ordinary Course of Business the primary purpose of which is not related to Taxes (such as leases, licenses or credit agreements).

(vii) All material Taxes which the Company and its Subsidiaries are obligated to withhold, collect and pay from amounts owing to any employee, creditor, independent contractor, shareholder or other third party have been paid over to the appropriate Governmental Entities or adequately accrued on the Balance Sheet.

(viii) Since January 1, 2012, the Company has not applied for, been granted, or agreed in writing to any accounting method change for which it will be required to take into account any adjustment under Section 481 of the Code or any similar provision of the Code or corresponding laws of any state or locality.

(ix) The Company has not engaged in a "reportable transaction" or "listed transaction" as defined in Section 6707A(c) of the Code and Treasury Regulation Section 1.6011-4(b).

(b) The representations and warranties set forth in this **Section 3.18** are the Company's sole and exclusive representations and warranties regarding Tax matters.

Section 3.19 Accounts and Notes Payable. Except as set forth on **Section 3.19 of the Disclosure Schedules**, all accounts payable and notes payable in excess of [REDACTED] by the Company or

any of its Subsidiaries to third parties arose in the Ordinary Course of Business and there is no such account payable or note payable delinquent in its payment for longer than sixty (60) days, except those contested in good faith and disclosed on **Section 3.19 of the Disclosure Schedules**.

Section 3.20 Accounts Receivable. The accounts receivable reflected on the Interim Balance Sheet and the accounts receivable of the Company arising after the date thereof have arisen from bona fide transactions entered into by the Company or its Subsidiaries involving the sale of goods or the rendering of services in the Ordinary Course of Business. Except as set forth in **Section 3.20 of the Disclosure Schedules**, there is (i) no account debtor or note debtor of the Company or its Subsidiaries delinquent in its payment by more than sixty (60) days, (ii) no account debtor or note debtor that has refused in writing or, threatened in writing to refuse to pay its obligations to the Company or any of its Subsidiaries for any reason, (iii) to the Company's Knowledge, no account debtor or note debtor of the Company or its Subsidiaries that is insolvent or bankrupt, and (iv) no account receivable or note receivable of the Company or its Subsidiaries that has been pledged to any third party by the Company or any of its Subsidiaries. Except as set forth in **Section 3.20 of the Disclosure Schedules**, to the Company's Knowledge, there is no contest, claim, defense, or right of setoff, with respect to any account receivable of the Company.

Section 3.21 Regulatory Matters.

(a) Except as disclosed in **Section 3.21 of the Disclosure Schedules**, the Company and the Company's Subsidiaries are in compliance with requirements of the Laws relating to healthcare regulatory matters (collectively, "**Healthcare Regulatory Laws**") including: (i) Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395kkk (the Medicare statute), including specifically, Medicare Part C (the Medicare Advantage program), 42 U.S.C. §§ 1395w-21-1395w-28; Medicare Part D (the Medicare prescription drug benefit), 42 U.S.C. §§ 1395w-101 – 1395w-153; and the Ethics in Patient Referrals Act (Stark Law), 42 U.S.C. § 1395nn; (ii) Title XIX of the Social Security Act, 42 U.S.C. §§ 1396-1396w-5 (the Medicaid statute); (iii) TRICARE, 10 U.S.C. § 1071 et seq.; (iv) the Federal Health Care Program Anti-Kickback Statute, 42 U.S.C. §§ 1320a-7b(b); (v) the Federal False Claims Act, 31 U.S.C. §§ 3729-3733; (vi) the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; (vii) the Civil Monetary Penalties Law, 42 U.S.C. §§ 1320a-7a and 1320a-7b; (viii) the Exclusion Laws, 42 U.S.C. § 1320a-7; (ix) the Health Insurance Portability and Accountability Act of 1996, Pub. L. 104-191; (x) the Federal Health Care Fraud Law (18 U.S.C. § 1347); (xi) the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended; (xii) the Patient Protection and Affordable Care Act (Pub. L. 111-148) as amended by the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111-152); (xiii) Laws pertaining to the licensure, certification, qualification or authority to transact business in connection with the provision of, payment for, or arrangement of, health benefits or health insurance, including Laws that regulate managed care, third-party payors and persons bearing the financial risk for the provision or arrangement of health care services, including the Knox-Keene Act and the Texas HMO Act; and (xiv) any applicable federal, state or local statute, regulation or order applicable to compliance, Permits, licensing, marketing, administration, fraud and abuse, recordkeeping, referrals, network access, disclosure of discounts, privacy, security or reserve, capital, net worth or other financial requirements, and has not since January 1, 2013 received any notice from any Governmental Entity alleging any material non-compliance with any such Healthcare Regulatory Laws.

(b) Except as set forth in **Section 3.21 of the Disclosure Schedules**, neither the Company nor its Subsidiaries nor, to the Knowledge of the Company, any officer or board member of the Company or its Subsidiaries (in connection with any services rendered by or on behalf of the Company or its Subsidiaries):

(i) is or has been convicted of, charged, or to the Company's Knowledge, threatened with, prosecution or, to the Company's Knowledge, are under investigation by a Governmental Entity for any violation of a Healthcare Regulatory Law including any Law applicable to (1) Medicare (2) Medicaid, (3) Medicare-Medicaid plans participating in Capitated Financial Alignment Demonstrations, including California's program established by California Welfare and Institutions Code Article 5.4 and commonly known as Cal MediConnect, and (4) any other state or federal health care program defined in 42 U.S.C. § 1320a- 7b(f) ("**Federal Health Care Programs**");

(ii) is or has been convicted of or, to the Company's Knowledge, charged with or investigated for any violation of Law related to fraud, theft, embezzlement, breach of fiduciary responsibility, financial misconduct, obstruction of an investigation, or manufacture, storage, distribution or sale of controlled substances;

(iii) is excluded, suspended or debarred from or has ever been excluded, suspended or debarred from, participation, or are otherwise ineligible to participate, in any Federal Health Care Program, any federal, state, or local governmental procurement or non-procurement program, or any other federal or state government program or activity;

(iv) is or, to the Company's Knowledge, has ever been a party to any corporate integrity agreements, monitoring agreements, consent decrees, settlement orders, or similar Contracts with or imposed by any Governmental Entity; or

(v) has failed to file (excluding where the Company or its Subsidiary has made such filing following receipt of notice of a failure to timely file) any material report, statement, document, registration or other filing required to be filed under applicable Health Care Laws.

(c) True and complete copies of final reports of Governmental Entity Examinations and a listing of currently active Governmental Entity Examinations, in each case, as of the date hereof, since January 1, 2012, relating to the Company or any of its Subsidiaries have been delivered or made available to Buyer prior to the execution of this Agreement. There are no asserted deficiencies in any such final report of Governmental Entity Examination that is material to the Company or its Subsidiaries that are not being or have not been addressed through the timely submission of a corrective action plan to the appropriate Governmental Entity or by other means permitted under applicable Law.

(d) There is no material Claim pending or, to the Company's Knowledge, threatened by any Governmental Entity with respect to or involving any alleged violation by the Company or its Subsidiaries or, to the Company's Knowledge, any of the Company's Affiliates, board members or officers of any Healthcare Regulatory Law.

(e) Except as set forth in **Section 3.21 of the Disclosure Schedules** or as would not have a Material Adverse Effect, to the Company's Knowledge, there are no pending or threatened audits, reviews, or investigations with respect to the participation of the Company or its Subsidiaries in any Federal Health Care Program.

(f) Except as would not have a Material Adverse Effect, the Company and its Subsidiaries hold all material permits, licenses, grants, accreditations, qualifications, rights, exceptions, consents, approvals, certificates, agreements, enrollments and other authorizations of and from all, and have made all declarations and filings with, Governmental Entities necessary for the lawful conduct of their respective businesses as presently conducted on the date of this Agreement (collectively, the “**Material Health Regulatory Permits**”). **Section 3.21(f) of the Disclosure Schedules** sets forth a list of the Material Health Regulatory Permits. Except as would not have a Material Adverse Effect, all Material Health Regulatory Permits are in full force and effect in all material respects, and the Company and its Subsidiaries are not in material default or violation of any Material Health Regulatory Permit to which any is a party. No proceeding is pending or, to the Company’s Knowledge, threatened to limit, condition, revoke, suspend, cancel or adversely modify any Material Health Regulatory Permit. Neither the Company nor its Subsidiaries failed to comply with the requirements for any Material Health Regulatory Permits, except for any such failure to comply that has not had a Material Adverse Effect.

(g) Either the Company or its applicable Subsidiary is a party to one or more valid Contracts with CMS and/or any state Medicaid agency (with respect to states where the Company or such Subsidiary so participates as a Medicaid contractor) authorizing its participation as a Federal Health Care Program contractor under all applicable Laws.

(h) The Company and its Subsidiaries have timely filed all regulatory reports, schedules, statements, documents, filings, submissions, forms, notifications, registrations and other documents, together with any amendments required to be made with respect thereto and any such filings that were pending as of such date, that the Company and its Subsidiaries were required to file with any Governmental Entity, including state health and insurance regulatory authorities and any applicable federal regulatory authorities, and has timely paid all Taxes, fees and assessments due and payable in connection therewith, except for those filings the failure to timely file would not, individually or in the aggregate, have a Material Adverse Effect. There are no outstanding material deficiencies or liabilities which any Governmental Entity has asserted with respect to any Regulatory Filings or information contained therein.

(i) All premium rates, rating plans and policy terms established and used by the Company or its Subsidiaries that are required to be filed with and/or approved by Governmental Entities, including CMS, have been in all material respects so filed and/or approved, the premiums charged conform in all material respects to the premiums so filed and/or approved and comply in all material respects with applicable Laws, including the Healthcare Regulatory Laws, and to the Knowledge of the Company, no such premiums are subject to any investigation by any Governmental Entity.

(j) **Section 3.21 of the Disclosure Schedules** sets forth a list of all annual statements and quarterly statements of the Company and its Subsidiaries required under Healthcare Regulatory Laws and filed with Governmental Entities for the year ended December 31, 2013 (the “**Regulatory Filings**”). Except as otherwise set forth in such Regulatory Filings when made, all such Regulatory Filings and the statutory balance sheets and income statements included therein: (i) were prepared from the books and records of the Company and its Subsidiaries, (ii) fairly present in all material respects the statutory financial condition and results of operations of the Company and its Subsidiaries, as applicable, as of the date and for the periods indicated therein and (iii) have been prepared in all material respects in accordance with GAAP consistently applied throughout the periods indicated, except as may be reflected

in the notes thereto and subject to the absence of notes where not required by GAAP and to normal year-end adjustments.

(k) The Company and its Subsidiaries have made available to Buyer true and correct copies of all actuarial reports prepared by independent or internal actuaries of the Company and its Subsidiaries since January 1, 2012 (other than actuarial reports prepared by internal actuaries that are not material to the aggregate reserves of the Company and its Subsidiaries) and all attachments, addenda, supplements and modifications thereto.

(l) The Company and its Subsidiaries are authorized to operate, without restriction, throughout the entirety of the service areas specified within the Material Health Regulatory Permits. There are no restrictions placed upon the Company or its Subsidiaries' marketing activities in any part of such service areas, except for such restrictions which are placed on the health care industry in general and by CMS for Medicare Advantage Programs. Except for emergency situations, the Company and its Subsidiaries do not have operations or other activities outside of such service areas and do not provide or arrange for health care services or benefits for any Members or other individuals who reside outside of such service areas.

(m) The Company and its Subsidiaries are in full compliance with all deposit, reserve, capital, net worth and other financial requirements, including Minimum Statutory Tangible Net Equity, statutory and risk-based capital requirements, applicable to the Company or its Subsidiaries, including all regulations, guidelines, directives and orders of the DMHC.

(n) (i) The Company has executed Duals Demonstration Contracts with both CMS and DHCS for operation of Duals Demonstration plans in Los Angeles and San Diego counties with voluntary enrollment beginning, on April 1, 2014 and passive enrollment beginning on, July 1, 2014 and May 1, 2014, respectively; (ii) the Duals Demonstration Contracts are valid and in full force and effect; (iii) CMS and DHCS have approved the Duals Demonstration readiness assessment submitted by Company and/or the Company Subsidiaries involved in the Duals Demonstration, CMS and DHCS has found that Company's provider network met access-to-care requirements for the Duals Demonstration, and the Company and its Subsidiaries have passed the Duals Demonstration site review and received required approvals from the DMHC; and (iv) neither CMS, DHCS nor DMHC have imposed additional obligations upon the Company in connection with their review of Company's readiness to participate in the Duals Demonstration, other than those disclosed in **Section 3.21 of the Disclosure Schedules**.

Section 3.22 Brokers. Except for Moelis & Company, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Transactions based upon arrangements or agreement made by or on behalf of the Company or any of its Subsidiaries. At or prior to Closing, Sellers will pay any amount due to Moelis & Company in connection with the Transactions.

Section 3.23 Providers, Provider Contracts and Payor Contracts.

(a) Except in the Ordinary Course of Business, no material past due amounts are owing by the Company or its Subsidiaries under any Material Health Care Providers Contracts and neither the Company nor its Subsidiaries are aware of any outstanding written claim made by any party to the Material Health Care Provider Contracts that the Company or its Subsidiaries have failed to perform a

material monetary or nonmonetary obligation arising under their Contracts. All of the Material Health Care Provider Contracts are in writing, were entered into in the Ordinary Course of Business and constitute valid, binding and enforceable agreements of the parties thereto. All forms of the Contracts with Providers which are currently in use by the Company and its Subsidiaries conform to the material requirements of applicable Laws, including the Healthcare Regulatory Laws in all material respects. To the Knowledge of the Company, there are no circumstances, including the consummation of the transactions contemplated hereby, which are reasonably likely to result in the termination, cancellation or nonrenewal of a Material Health Care Provider Contract or the cessation of business being transacted between the Company and any other party to any Material Health Care Provider Contract. **Section 3.23 of the Disclosure Schedules** sets forth all pending cancellation, termination or nonrenewal notices furnished to the Company and its Subsidiaries in writing by any party to a Material Health Care Provider Contract.

(b) The Company's and its Subsidiaries' administrative processes, policies and procedures are designed with the intention that the Company and its Subsidiaries comply with applicable Healthcare Regulatory Laws and industry standards regarding the selection, de-selection and credentialing of contracted Providers. The Company and its Subsidiaries contractually require their contracted Providers to comply with all Healthcare Regulatory Laws, industry standards and the Company's and its Subsidiaries' policies and procedures regarding the selection, de-selection and credentialing of such Providers' respective practitioners and contracted Providers and, to the Knowledge of the Company, such Providers have so complied, in all material respects.

(c) The manner in which the Company and its Subsidiaries place their contracted Providers at financial risk for health care services furnished to Members does not violate applicable Healthcare Regulatory Laws in any material respect. To the Company's Knowledge, the Company's and its Subsidiaries' contracted Providers which are required to comply with those reporting, financial reserve and other requirements applicable to risk-bearing Provider organizations are in compliance, in all material respects, with all applicable reporting, financial reserve and other requirements of Governmental Entities. To the Company's Knowledge, the Company and its Subsidiaries have not entered into any fee-for-service Contracts with Providers who or which are violating any state or federal antitrust Laws that restrict fixing of prices among competitors.

(d) **Section 3.23 of the Disclosure Schedules** (i) describes each material complaint received by the Company or its Subsidiaries concerning any aspect of the Business from a Provider or a Member and which was made on or after January 1, 2013 and remains unresolved, and (ii) generally describes the nature and status or disposition of such complaint.

Section 3.24 Medicare and Medi-Cal Participation.

(a) The Company and its Subsidiaries meet all requirements of participation, claims submission and payment of the Federal Health Care Programs and are a party to valid participation agreements for payment by such Federal Health Care Programs.

(b) Neither the Company nor its Subsidiaries have received or been party to any (i) orders, letters, communications or other notices from CMS or any other Governmental Entity relating to the Company or its Subsidiaries' failure to meet any of the requirements for continued participation in the Federal Health Care Programs (including any orders, letters, communications or notices relating to CMS'

plan rating (or “star rating”) or stating that continued participation may be contingent on the Company or its Subsidiaries developing, adopting, implementing or taking any sort of corrective or remedial actions), or (ii) corrective action plan developed by the Company or its Subsidiaries in response to or as a result of the orders, letters, communications and notices specified in clause (i).

Section 3.25 Recoupment Proceedings. Other than in the Ordinary Course of Business, to the Knowledge of the Company, there are no material Federal Health Care Program recoupments, adjustments or recovery proceedings or material recoupments, adjustments or recovery proceedings of any third-party payor, including any Governmental Entity, being sought, requested, claimed or threatened against the Company or its Subsidiaries.

Section 3.26 Producers, Producer Contracts and Commissions.

(a) Each Person and salaried employee of the Company and each Subsidiary performing the duties of insurance producer, agency, agent, managing general agent, wholesaler, broker, solicitor, adjuster or customer representative for the Company and each Subsidiary (collectively, "**Producers**"), at the time such Producer wrote, sold, or produced business, or performed such other act for or on behalf of the Company and of Subsidiary of the Company that may require a producer's, solicitor's, broker's or other insurance license, was duly licensed and appointed, where required, as an insurance producer, managing general agent, broker, solicitor or adjuster, as applicable (for the type of business written, sold, or produced by such insurance producer, agency, managing general agent, broker, solicitor, adjuster or customer representative), in the particular jurisdiction in which such Producer wrote, sold, produced, solicited, or serviced such business, as may be required by any applicable Law.

(b) The Company and each of its Subsidiaries have implemented policies, procedures and/or programs designed to assure that the Producers are in material compliance with all applicable Laws, including Laws, regulations, directives and opinions of Governmental Entities relating to advertising, licensing, sales and compensation disclosure practices, unfair trade practices and conflict of interest policies. Company and each of its Subsidiaries, and to the Knowledge of Company, each Producer acting on behalf of Company and any of its Subsidiaries, has marketed, administered, sold and issued products in compliance in all material respects with all applicable Laws.

(c) Neither the Company nor any of its Subsidiaries has made a filing with any Governmental Entity seeking an exemption under 18 USC §1033(e)(2) with respect to any Producer.

(d) Except as set forth in **Section 3.26(d) of the Disclosure Schedules**, as of the date hereof, no material Producer has indicated to the Company or any of its Subsidiaries that such material Producer will be unable or unwilling to continue its relationship as a Producer with the Company or any of its Subsidiaries following the Closing, except as would not, individually or in the aggregate, have a Material Adverse Effect.

(e) The Company has made available to Buyer copies of the Company's and each of its Subsidiaries' written procedures designed to provide assurance that Producers comply with all applicable Laws.

Section 3.27 Compliance.

(a) The Company and its Subsidiaries has implemented a corporate compliance program which was presented to, and approved by, CMS, and staff to oversee the functioning of its corporate compliance program. As part of its corporate compliance program, the Company and its Subsidiaries have implemented administrative processes, policies and procedures that are designed to ensure that the Company and its Subsidiaries remain in compliance with Healthcare Regulatory Laws applicable to the MA Plans which the Company and its Subsidiaries offer. The Company and its Subsidiaries have implemented a plan to comply with HIPAA and other applicable Laws which protect or regulate the privacy, security, integrity, accuracy, transmission, storage or disclosure of individual medical records and other personnel, financial or consumer information which they generate, receive or maintain, and has trained staff to oversee the functioning of such plan.

(b) The Company and its Subsidiaries have complied, and are in compliance, in all material respects, with HIPAA, as applicable to the Company and its Subsidiaries as either a covered entity or business associate, as the case may be or may have been. Without limiting the generality of the foregoing, the Company and its Subsidiaries are and have been: (i) in compliance, in all material respects, with the standard transaction, privacy, security and breach notification requirements established by HIPAA; (ii) as required by applicable Healthcare Regulatory Laws has developed and has implemented policies and procedures and training programs reasonably designed to ensure past, current, and ongoing compliance with HIPAA's privacy, security and breach notification regulations and other Applicable Laws, including state data privacy, security and breach notification Applicable Laws; and (iii) has executed business associate agreements meeting all requirements set forth in the HIPAA privacy, security and breach notification regulations with all contractors that meet the definition of a business associate under HIPAA. No material violation of HIPAA has been, to the Knowledge of the Company, alleged or threatened against the Company or its Subsidiaries by any Governmental Entity or any other Person. The Company has not discovered a breach of unsecured protected health information. In the event of any such discovered breach, the applicable Person has provided sufficient notice to each individual whose protected health information was breached.

Section 3.28 Bank Accounts. **Section 3.28 of the Disclosure Schedules** sets forth the names and locations of all banks, trust companies, savings and loan associations and other financial institutions at which the Company or any of its Subsidiaries maintains a safe deposit box, lock box or checking, savings, custodial or other account of any nature, the type and number of each such account and the signatories therefore, a description of any compensating balance arrangements, and the names of all persons authorized to draw thereon, make withdrawals therefrom or have access thereto.

Section 3.29 Books and Records. The books of account, minute books, stock record books and other records of the Company, all of which have been made available to Buyer, are complete and correct in all material respects and have been maintained in accordance with applicable Law and sound business practices in all material respects.

Section 3.30 Disclosure. None of the representations or warranties of the Company contained in this **Article III** or any other Transaction Document and none of the information contained in any schedule, certificate, or other document delivered pursuant hereto or thereto or in connection with the

transactions contemplated hereby or thereby including the Disclosure Schedules, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading, in each case which would be reasonably likely to result in a Material Adverse Effect.

Section 3.31 No Other Representations and Warranties. Except for the representations and warranties expressly set forth in this **Article III** or in **Article IV**, none of the Sellers, the Representative, the Company (or any Subsidiary of the Company) or any of their respective directors, board members, officers, employees, Affiliates, shareholders, partners, members, managers, accountants, legal counsel, agents or other representatives (or any Affiliate of any of the foregoing) or any other Person on behalf of any of the foregoing makes or has made any representation or warranty, either express or implied (or written or oral) upon which CPS or Buyer is relying or has relied or regarding the Company, any of its Subsidiaries, the Business, any of the Sellers, the Shares or the Transactions.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Except as set forth in the Disclosure Schedules (and, with respect to any document referenced in the Disclosure Schedules as of the date of this Agreement, only to the extent that a complete copy of such document has been uploaded to the Company's data room or otherwise made available to Buyer or any of its representatives by 5:30 P.M. Pacific Time on the day prior to the date of this Agreement, subject to **Section 6.05**), each Seller, severally but not jointly, makes the following representations and warranties to Buyer as of the date of this Agreement and as of the Closing Date.

Section 4.01 Organization and Authority of Sellers. If such Seller is an entity (other than a trust), (a) such Seller is duly organized, validly existing and in good standing (if applicable) under the Laws of the jurisdiction of its incorporation or organization, (b) such Seller has the requisite company power and authority to execute and deliver this Agreement and each other Transaction Document to be executed and delivered by such Seller pursuant hereto and to consummate the Transactions, and (c) the execution and delivery by such Seller of this Agreement and the other Transaction Documents to be executed and delivered by such Seller pursuant hereto and the consummation by such Seller of the Transactions have been duly authorized by all necessary company action on the part of such Seller. If such Seller is an individual or a trust, such Seller has the requisite power and authority to execute and deliver this Agreement and each other Transaction Document to be executed and delivered by such Seller pursuant hereto and to consummate the Transactions. Assuming due authorization, execution and delivery by each of the other Parties, this Agreement constitutes, and when executed and delivered, the other Transaction Documents to be executed and delivered by such Seller pursuant hereto will constitute, valid and binding agreements of such Seller, enforceable against such Seller in accordance with their respective terms, except as such may be limited by bankruptcy, insolvency, reorganization, moratorium or other Laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 4.02 Consents and Approvals; No Violations.

(a) No material notice to, filing with, or authorization, consent or approval of any Governmental Entity is necessary for the execution, delivery or performance by such Seller of this Agreement or the other Transaction Documents to which such Seller is a party or the consummation by such Seller of the Transactions, except for (i) compliance with and filings under the HSR Act, (ii) the filing and subsequent approval of the Notice of Material Modification by the DMHC, (iii) any notices which might be determined to be due to CMS, with respect to a “change of ownership” affecting Company’s or any of its Subsidiaries’ Medicare Part C operations, (iv) any notices and/or approvals which might be determined to be due to DHCS or L.A. Care with respect to a “change of ownership” affecting Medi-Cal participation, (v) any notices and/or approvals which might be determined to be due to AHCCCS, TDI, the Arizona Department of Insurance or the Arizona Department of Economic Security, (vi) any notices, filings, authorizations, consents or approvals, required or that become applicable to, with or from the TDI, as appropriate, as a result of the change in control of Company, (vii) any notices, filings, authorizations, consents or approvals required or that become applicable solely as a result of the regulatory status of Buyer or any of its Affiliates, (viii) any notices, filings, authorizations, consents or approvals set forth in **Section 5.02** or (ix) as set forth in **Section 4.02 of the Disclosure Schedules**.

(b) Neither the execution, delivery or performance by such Seller of this Agreement or the other Transaction Documents to which such Seller is a party nor the consummation by such Seller of the Transactions will (i) conflict with or result in any breach of any provision of any of the Governing Documents of such Seller (if such Seller is an entity), (ii) assuming the proper filing or receipt of each notice, filing, authorization, consent or approval set forth in **Section 4.02(a)** (or **Section 4.02 of the Disclosure Schedules**), result in a violation or breach of, or cause acceleration, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any trust agreement, note, bond, mortgage, indenture, lease, license, Contract, agreement or other instrument or obligation to which such Seller is a party, or by which such Seller or any of such Seller’s Subsidiaries or any of their respective properties or assets may be bound, (iii) assuming the proper filing or receipt of each notice, filing, authorization, consent or approval set forth in **Section 4.02(a)** (or **Section 4.02 of the Disclosure Schedules**), violate any Law, Permit, writ, injunction or decree of any Governmental Entity having jurisdiction over such Seller or any of such Seller’s properties or assets (other than any Law, writ, injunction or decree that becomes applicable solely as a result of the regulatory status of Buyer or any of its Affiliates), or (iv) except with respect to Permitted Liens or as contemplated by any of the Transaction Documents, result in the creation of any Lien upon any of the assets of such Seller.

Section 4.03 Shares. Such Seller holds of record and is the owner of, and has good and valid title to, all of the Shares that **Section 3.02 of the Disclosure Schedules** states are owned by such Seller, free and clear of all Liens and any other restrictions on transfer (other than any restrictions under the Securities Act of 1933, as amended, and/or state securities laws). Except for this Agreement or the other Transaction Documents or as set forth in **Section 4.03 of the Disclosure Schedules**, such Seller is not a party to any Contract with respect to the voting, purchase, option, warrant, call, put, pledge, proxy, disposition, redemption or acquisition of, or the declaration or payment of any distribution on, any of the Shares.

Section 4.04 Legal Proceedings. There are no Claims pending or, to such Seller's actual knowledge, threatened, at law or in equity or before any Governmental Entity, against or by such Seller that challenge or seek to prevent, enjoin or otherwise delay the Transactions or adversely affect such Seller's performance under this Agreement or the other Transaction Documents.

Section 4.05 Brokers. Except for Moelis & Company, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Transactions based upon arrangements or agreement made by or on behalf of such Seller. The Sellers shall be responsible for and shall pay any and all amounts due and owing to Moelis & Company in connection with the Transactions.

Section 4.06 Disclosure. None of the representations or warranties of such Seller contained in this **Article IV** or any other Transaction Document and none of the information contained in any schedule, certificate, or other document delivered by such Seller pursuant hereto or thereto or in connection with the transactions contemplated hereby or thereby contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading, in each case which would be reasonably likely to result in a Material Adverse Effect.

Section 4.07 Representative. The Sellers have appointed the Representative as the representative of the Sellers and as the attorney-in-fact and agent for and on behalf of each Seller for purposes of this Agreement, the Escrow Agreement, the other Transaction Documents and any other agreements and documents executed or delivered in connection with this Agreement or the Transactions, in each case other than the Executive Employment Agreements and the agreements with each Affiliated Provider contemplated by **Section 6.17** or **Section 7.01(d)**, and the Representative has the full power and authority to take such actions to be taken by the Representative under this Agreement, the Escrow Agreement, the other Transaction Documents and any other agreements and documents executed or delivered in connection with this Agreement or the Transactions and such other actions on behalf of such Sellers as it may deem necessary or appropriate in connection with or to consummate the Transactions, in each case other than under the Executive Employment Agreements and the agreements with each Affiliated Provider contemplated by **Section 6.17** or **Section 7.01(d)**, but including (i) negotiating and executing such amendments, modifications, waivers or changes to this Agreement, the Escrow Agreement, the other Transaction Documents and any other ancillary documents and as to which the Representative, in its sole discretion, shall have consented (in each case other than the Executive Employment Agreements and the agreements with each Affiliated Provider contemplated by **Section 6.17** or **Section 7.01(d)**), (ii) taking all actions and making all filings on behalf of such Sellers with any Governmental Entity or other Person necessary to effect the consummation of the Transactions, (iii) agreeing to, negotiating, entering into settlements and compromises of, complying with orders of courts with respect to, and otherwise administering and handling any Claims or other matters under this Agreement, the Escrow Agreement or the other Transaction Documents on behalf of such Sellers (in each case other than the Executive Employment Agreements and the agreements with each Affiliated Provider contemplated by **Section 6.17** or **Section 7.01(d)**), and (iv) taking all other actions that are either necessary or appropriate in the judgment of the Representative for the accomplishment of the foregoing or contemplated by the terms of this Agreement, the Escrow Agreement, or the other Transaction Documents (in each case other than the Executive Employment Agreements and the agreements with each

Affiliated Provider contemplated by **Section 6.17** or **Section 7.01(d)**). The Representative is the sole and exclusive representative of each of the Sellers for any purpose provided for by this Agreement.

Section 4.08 No Other Representations and Warranties. Except for the representations and warranties expressly set forth in this **Article IV** or in **Article III**, none of the Sellers, the Representative, the Company (or any Subsidiary of the Company) or any of their respective directors, board members, officers, employees, Affiliates, shareholders, partners, members, managers, accountants, legal counsel, agents or other representatives (or any Affiliate of any of the foregoing) or any other Person on behalf of any of the foregoing makes or has made any representation or warranty, either express or implied (or written or oral) upon which CPS or Buyer is relying or has relied or regarding the Company, any of its Subsidiaries, the Business, any of the Sellers, the Shares or the Transactions.

ARTICLE V REPRESENTATIONS AND WARRANTIES OF CPS AND BUYER

Each of CPS and Buyer, jointly and severally, makes the following representations and warranties to each of the Sellers and the Company as of the date of this Agreement and as of the Closing Date.

Section 5.01 Organization and Authority of Buyer. Each of CPS and Buyer is a California nonprofit mutual benefit corporation duly organized, validly existing and in good standing under the Laws of the State of California. Each of CPS and Buyer has the requisite corporate power and authority to execute and deliver this Agreement and each other Transaction Document to be executed and delivered by any of them pursuant hereto and to consummate the Transactions. The execution and delivery by CPS and Buyer of this Agreement and the other Transaction Documents to be executed and delivered by CPS or Buyer pursuant hereto and the consummation by CPS and Buyer of the Transactions have been duly authorized by all necessary corporate action on the part of CPS and Buyer. Assuming due authorization, execution and delivery by Sellers, this Agreement constitutes, and when executed and delivered, the other Transaction Documents to be executed and delivered by CPS or Buyer pursuant hereto will constitute, valid and binding agreements of CPS and Buyer, enforceable against CPS and Buyer in accordance with their respective terms, except as such may be limited by bankruptcy, insolvency, reorganization, moratorium or other Laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 5.02 Consents and Approvals; No Violations.

(a) No material notice to, filing with, or authorization, consent or approval of any Governmental Entity is necessary for the execution, delivery or performance by CPS or Buyer of this Agreement or the other Transaction Documents to which CPS or Buyer is a party or the consummation by CPS or Buyer of the Transactions, except for (i) compliance with and filings under the HSR Act, (ii) the filing and subsequent approval of the Notice of Material Modification by the DMHC; (iii) any notices and/or approvals which may be due to CMS, TDI, DMHC, DHCS, L.A. Care, or AHCCCS; (iv) notices, filings, authorizations, consents or approvals required or that become applicable solely as a result of the regulatory status any of the Sellers or any of their Affiliates; (v) any notices, filings, authorizations, consents or approvals required or that become applicable to, with or from the TDI, as appropriate, as a result of the change in control of Company; (vi) any notices, filings, authorizations, consents or approvals

required or that become required by BCBSA; or (vi) as set forth in **Section 5.02(a) of the Disclosure Schedules**.

(b) Neither the execution, delivery or performance by CPS and Buyer of this Agreement or the other Transaction Documents to which CPS or Buyer is a party nor the consummation by CPS and Buyer of the Transactions will (i) conflict with or result in any breach of any provision of CPS's or Buyer's Governing Documents, (ii) assuming obtaining the consents or approvals set forth in **Section 5.02(a)**, result in a violation or breach of, or cause acceleration, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, Contract, agreement or other instrument or obligation to which CPS or Buyer is a party or by which CPS or Buyer or any of CPS's or Buyer's Subsidiaries or any of their respective properties or assets may be bound, or (iii) assuming the proper filing or receipt of each notice, filing, authorization, consent or approval set forth in **Section 5.02(a)**, violate any Law, Permit, writ, injunction or decree of any Governmental Entity having jurisdiction over CPS or Buyer or its Subsidiaries or any of their respective properties or assets (other than any Law, writ, injunction or decree that becomes applicable as a result of the regulatory status of any Seller or any of its Affiliates), except in the case of clauses (ii) and (iii) above, for violations which would not prevent or materially delay the consummation of the Transactions.

Section 5.03 Accredited Investor; Investment Purpose. Each of CPS and Buyer is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended. Buyer is acquiring the Shares solely for its own account for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof. Buyer acknowledges that the Shares are not registered under the Securities Act of 1933, as amended, or any state securities laws, and that the Shares may not be transferred or sold except pursuant to the registration provisions of the Securities Act of 1933, as amended, or pursuant to an applicable exemption therefrom and subject to state securities laws and regulations, as applicable. Buyer is able to bear the economic risk of holding the Shares for an indefinite period (including total loss of its investment), and has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risk of its investment.

Section 5.04 Brokers. Except for Cain Brothers, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Transactions based upon arrangements or agreements made by or on behalf of CPS or Buyer or any of their respective Affiliates. At or prior to Closing, Buyer or CPS will pay any amounts due to Cain Brothers in connection with the Transactions.

Section 5.05 Sufficiency of Funds. Buyer has available from CPS immediately available funds to enable it to (a) make payment of the Estimated Closing Purchase Price, the Escrow Amount, the Sellers Closing Amount, and each other payment required to be made by Buyer pursuant to this Agreement or the other Transaction Documents (including the payments required to be made by Buyer pursuant to **Section 2.02(d)(i)**, **Section 2.03(c)(i)** or **Section 2.04(a)**) and (b) consummate the Transactions. CPS has (and will provide to Buyer at or prior to the Closing) immediately available funds to enable Buyer to (a) make payment of the Estimated Closing Purchase Price, the Escrow Amount, the Sellers Closing Amount, and each other payment required to be made by Buyer pursuant to this

Agreement or the other Transaction Documents (including the payments required to be made by Buyer pursuant to **Section 2.02(d)(i)**, **Section 2.03(c)(i)** and **Section 2.04(a)**) and (b) consummate the Transactions.

Section 5.06 Solvency. Immediately after giving effect to the Transactions, neither CPS nor Buyer nor the Company nor any of its Subsidiaries will (a) be insolvent (either because its financial condition is (i) such that the sum of its debts is greater than the fair value of its assets, as of such date, as such amounts are determined in accordance with applicable Law governing the insolvency of debtors or (ii) because the fair saleable value of its assets, as of such date, is less than the amount required to pay its liability on its existing debts as they become absolute and matured), (b) have unreasonably small capital, as of such date, with which to engage in its business or (c) have incurred debts beyond its ability to pay as they become due. For purposes of this **Section 5.06**, (x) “debt” means liability on a “claim,” and (y) “claim” means any (1) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (2) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

Section 5.07 Regulatory Matters. Except as would not reasonably be expected to prevent or materially delay the consummation of the Transactions, or otherwise affect CPS’s or Buyer’s ability to consummate the Transactions or the likelihood of consummation of the Transactions (whether by reason of impairing CPS’s or Buyer’s ability to obtain any consent or approval or make any filing required in connection with the Transactions to be consummated at the Closing or otherwise):

(a) neither CPS nor Buyer nor, to CPS’s or Buyer’s knowledge, any of CPS’s or Buyer’s Affiliates, board members, officers, managers or employees acting on its behalf (in connection with any services rendered by or on behalf of CPS or Buyer):

(i) is or has been convicted of or, to CPS’s or Buyer’s knowledge, charged or threatened with prosecution or, to CPS’s or Buyer’s knowledge, are under investigation by a Governmental Entity for any violation of a Healthcare Regulatory Law including any Law applicable to a health care program defined in the Federal Health Care Programs;

(ii) is or has been convicted of or, to CPS’s or Buyer’s knowledge, charged with or investigated for any violation of Law related to fraud, theft, embezzlement, breach of fiduciary responsibility, financial misconduct, obstruction of an investigation, or manufacture, storage, distribution or sale of controlled substances; or

(iii) is excluded, suspended or debarred from, or, to CPS’s or Buyer’s knowledge, has ever been excluded, suspended or debarred from, participation, or are otherwise ineligible to participate, in any Federal Health Care Program, any federal, state, or local governmental procurement or non-procurement program, or any other federal or state government program or activity;

(b) there is no material Claim pending, or to CPS’s or Buyer’s knowledge, threatened by any Governmental Entity with respect to or involving any alleged violation by CPS or Buyer or, to CPS’s or Buyer’s knowledge, any of CPS’s or Buyer’s Affiliates, board members, officers, managers or employees of any Healthcare Regulatory Law; and

(c) in connection with health regulatory matters, CPS holds all Material Health Regulatory Permits. All Material Health Regulatory Permits are in full force and effect in all material respects, and CPS is not in material default or violation of any Material Health Regulatory Permit to which it is a party. No proceeding is pending or, to CPS's and Buyer's knowledge, threatened to limit, condition, revoke, suspend, cancel or adversely modify any Material Health Regulatory Permit. Neither CPS, nor, to CPS's knowledge, any Affiliate, director, officer, manager or employee of CPS failed to comply with any Material Health Regulatory Permits.

Section 5.08 Legal Proceedings. There are no Claims pending or, to CPS's or Buyer's knowledge, threatened, at law or in equity or before any Governmental Entity, against or by CPS or Buyer or any Affiliate of either of them that challenge or seek to prevent, enjoin or otherwise delay the Transactions.

Section 5.09 Investigation; No Other Representations.

(a) Each of CPS and Buyer (i) has conducted its own independent review and analysis of, and, based thereon, has formed an independent judgment concerning, the business, assets, financial condition, operations and prospects of the Company and its Subsidiaries and (ii) has been furnished with or given access to such documents and information about the Company and its Subsidiaries and their respective businesses, assets, financial condition, operations and prospects that the Company has made available in response to requests for information that each of CPS and Buyer and CPS's and Buyer's representatives and advisors have deemed necessary to enable each of CPS and Buyer to make an informed decision with respect to the execution, delivery and performance of this Agreement and the other Transaction Documents and the Transactions. Each of CPS and Buyer has received materials relating to the business, assets, condition (financial or otherwise), operations and prospects of the Company and its Subsidiaries in response to CPS's or Buyer's requests for information and has been afforded the opportunity to obtain additional information that CPS or Buyer has requested to verify the accuracy of any such information or of any representation or warranty made by the Company or any of the Sellers or the Representative in this Agreement or any other Transaction Document or to otherwise evaluate the merits of the Transactions. As of the date hereof, the Company has answered inquiries that each of CPS and Buyer and CPS's and Buyer's representatives and advisors have made concerning the business, assets, condition (financial or otherwise), operations and prospects of the Company or its Subsidiaries or otherwise relating to the Transactions.

(b) In entering into this Agreement and the other Transaction Documents, neither CPS nor Buyer is relying on any representation or warranty except for those expressly set forth in **Article III and Article IV**. Buyer and CPS acknowledge that no Person has been authorized by the Company, any of its Subsidiaries, any of the Sellers or the Representative to make any representation or warranty relating to the Company or its Subsidiaries or their business, any of the Shares, any of the Sellers or otherwise in connection with the Transaction, and if made, such representation or warranty must not be relied upon by CPS or Buyer as having been authorized by such party.

ARTICLE VI COVENANTS

Section 6.01 Conduct of Business Prior to the Closing. From and after the date of this Agreement until the earlier of the Closing or the termination of this Agreement in accordance with its terms, except (a) as set forth in **Section 6.01 of the Disclosure Schedules**, (b) as consented to in writing by Buyer (which consent shall not be unreasonably withheld, conditioned or delayed), (c) as required by applicable Law or GAAP, (d) as required by the terms of any Employee Benefit Plan, (e) as required by the terms of any Contract in effect on the date hereof to which the Company or any of its Subsidiaries is a party or otherwise bound, (f) for actions taken in the Ordinary Course of Business or (g) for actions taken pursuant to obligations expressly required by this Agreement or any of the other Transaction Documents, the Company shall (and shall cause each of its Subsidiaries to) conduct its business in the Ordinary Course of Business and not do any of the following:

(i) enter into, materially amend, modify or terminate any Material Contract, or waive, release or assign any material rights or claims thereunder, in each case, other than in the Ordinary Course of Business;

(ii) other than dividends or distributions of cash made prior to the Adjustment Time and as reflected on the Estimated Closing Statement, declare, set aside or pay a dividend on, or make any other distribution (whether in securities or property) in respect of, the Company's equity securities;

(iii) (A) issue, sell, transfer, pledge, grant, dispose of or encumber any of the equity securities of the Company or its Subsidiaries or any securities of the Company or its Subsidiaries convertible into or exercisable or exchangeable for any of the equity securities of the Company or its Subsidiaries (except for the issuance of certificates in replacement of lost certificates) or (B) adjust, split, combine, or reclassify any of the equity securities of the Company or its Subsidiaries;

(iv) redeem, purchase or otherwise acquire any outstanding shares of the Company's or its Subsidiaries' capital stock;

(v) acquire or agree to acquire in any manner any business or any corporation, partnership, association or other business organization or division thereof of any other Person;

(vi) adopt any amendments to the Governing Documents of the Company or its Subsidiaries (other than as contemplated by **Section 7.02**);

(vii) merge or consolidate with or into any other Person or dissolve or liquidate;

(viii) (A) except in the Ordinary Course of Business, grant or announce any incentive awards, bonus or similar compensation or any increase in the salaries, bonuses or other incentive compensation and benefits payable by the Company or its Subsidiaries to any of the employees of the Company or its Subsidiaries, (B) except as permitted pursuant to the other clauses of this **Section 6.01(viii)** or in the Ordinary Course of Business, materially increase the benefits under any Employee Benefit Plan, (C) except in the Ordinary Course of Business, enter into or amend any employment, change in control, severance or retention agreement with any officer, employee or consultant of the Company or its Subsidiaries to materially increase the compensation payable thereunder (other than offer letters providing for at-will employment without post-termination obligations with newly-hired employees who are hired in the Ordinary Course of Business), (D) except in the Ordinary

Course of Business, hire any new officer of the Company or its Subsidiaries, or (E) except in the Ordinary Course of Business, adopt, enter into, terminate or amend any Employee Benefit Plan;

(ix) mortgage, pledge or subject to any Lien, other than Permitted Liens, any of the material assets of the Company or its Subsidiaries;

(x) except for Closing Indebtedness or current liabilities within the meaning of GAAP incurred in the Ordinary Course of Business and as reflected on the Estimated Closing Statement, incur or assume any Indebtedness (other than Closing Indebtedness), assume, guarantee, endorse or otherwise become liable or responsible for the obligations of any other Person (other than endorsements of checks), issue or sell any debt securities of the Company or its Subsidiaries or warrants or other rights to acquire any debt security of the Company or its Subsidiaries (other than (A) for borrowings incurred to renew, replace, extend, refinance or refund any existing Indebtedness incurred pursuant to agreements in effect as of the date of this Agreement, or for performance bonds or letters of credit and (B) obligations in respect of financial hedging arrangements or similar Contracts in effect as of the date of this Agreement);

(xi) except for capital expenditures in accordance with the 2014 budget of the Company or its Subsidiaries or 2015 budget of the Company or its Subsidiaries, acquire any assets except for (A) acquisitions of inventory, supplies and equipment in the Ordinary Course of Business and (B) other assets with a purchase price, in the aggregate, of less than [REDACTED];

(xii) lease, sell or otherwise dispose of any material assets, except for (A) assets with a purchase price, in the aggregate, of less than [REDACTED], (B) obsolete and worn equipment or personal property that is no longer material to the conduct of the business of the Company or its Subsidiaries or (C) Company Intellectual Property owned by the Company or its Subsidiaries that is no longer material to the conduct of the business of the Company or its Subsidiaries;

(xiii) except for Claims arising in the Ordinary Course of Business for payment for medical services that have been, or will be, provided, commence or settle any other material Claim in excess of [REDACTED];

(xiv) make any settlement of or compromise any Tax liability, change in any material respect any Tax election or Tax method of accounting, adopt any new material Tax method of accounting, file any amended Tax Return, enter into any closing agreement with respect to any Tax, surrender any right to claim a refund of Taxes, or consent to any extension or waiver of the limitations period applicable to any material Tax Claim or assessment relating to the Company or its Subsidiaries, in each case, to the extent such action would have the effect of increasing the Tax liability of the Company for any period ending after the Closing Date or decreasing the Tax attributes of the Company existing on the Closing Date;

(xv) except as required by GAAP, applicable Law, or ASB actuarial standards of practice, make any material change in any of the accounting principles or practices, underwriting, or claims administration principles or practices or in methodologies for estimating and providing for medical costs and other liabilities used by the Company or its Subsidiaries; or

(xvi) agree in writing or otherwise to do anything contained in this clause (i)-(xv).

Section 6.02 Tax Matters. The following provisions shall govern the allocation of responsibility as between Buyer and the Sellers (including through the Representative) for certain Tax matters following the Closing Date.

(a) **Cooperation.** Following the Closing, each Party shall (and Buyer shall cause the Company and its Subsidiaries to) cooperate fully, as and to the extent reasonably requested by the other Party, in connection with the preparation, filing and execution of Tax Returns and any Claim with respect to Taxes. Such cooperation shall include the retention and (upon the other Party's request) the provision of records and information that are reasonably relevant to any such Claim and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder or to testify at any such proceeding and signing any Tax Returns, amended Tax Returns or other documents necessary to settle any Tax proceeding. Following the Closing, Buyer shall (and Buyer shall cause the Company and its Subsidiaries to) retain all books and records with respect to Tax matters pertinent to the Company or any of its Subsidiaries.

(b) **Preparation of Tax Returns.**

(i) Buyer shall prepare (or cause to be prepared), and timely file (or cause to be filed) all Tax Returns of the Company and its Subsidiaries with respect to all Pre-Closing Taxable Periods that are required to be filed with any Governmental Entity after the Closing Date. Buyer shall prepare and file such Tax Returns in a manner consistent with past practice and this Agreement (including, for the avoidance of doubt, by claiming all Transaction Tax Deductions on such Tax Returns in accordance with **Section 6.02(e)(i)**), except as otherwise required by applicable Law. At least forty-five (45) days before the due date (taking into account all extensions granted), Buyer shall deliver or cause to be delivered to the Representative all such Income Tax Returns for the Representative's review prior to filing. Within twenty (20) days after receiving a copy of each such Tax Return, the Representative shall notify Buyer whether or not it has any objections to such Tax Return or the contents thereof. If the Representative (or any of the Sellers) objects to a proposed Tax Return and/or the contents thereof, the Representative shall provide a notice of such objection together with a statement describing in reasonable detail the basis for such objection within twenty (20) days after receiving such Tax Return. Buyer will make such changes to such Tax Return as the Representative (or the Sellers) and Buyer mutually and reasonably determine necessary or appropriate. If the Representative and Buyer cannot resolve any dispute regarding the proposed Tax Return and/or the contents thereof, the Accounting Firm shall resolve such dispute within a reasonable time, taking into account the deadline for filing such Tax Return (taking into account any valid extension to file). Such resolution shall be final and binding on each of the Parties, and Buyer shall pay one-half and the Representative shall pay one-half of the cost of the Accounting Firm. Buyer shall promptly provide to the Representative a true and complete copy of the filed Income Tax Return and pay to the appropriate Governmental Entity all Income Taxes of the Company or any of its Subsidiaries for any Pre-Closing Periods, subject to reimbursement as provided in **Section 6.02(c)**.

(ii) Buyer shall prepare (or cause to be prepared) and file or cause to be filed when due all Tax Returns that are required to be filed by or with respect to the Company or any of its Subsidiaries for taxable years or periods ending after the Closing Date. With respect to Tax Returns that are required to be filed by or with respect to the Company and any of its Subsidiaries for a Tax period that begins before and ends after the Closing Date (each such period, a "**Straddle Period**" and the Tax Returns with respect to such period, "**Straddle Returns**"), such Straddle Returns shall be prepared and

filed in a manner consistent with past practice and this Agreement (unless otherwise required by applicable Law). Buyer shall pay or cause to be paid all Income Taxes of the Company and any of its Subsidiaries for all taxable periods ending after the Closing Date, including all Income Taxes relating to Straddle Periods, subject to reimbursement as provided in **Section 6.02(c)**. Any Taxes relating to Straddle Periods shall be apportioned between the Pre-Closing Taxable Period portion of any Straddle Period (a “**Pre-Closing Straddle Period**,” which shall be defined to include the Closing Date) and the Post-Closing Taxable Period portion of any Straddle Period (the “**Post-Closing Straddle Period**”) in the manner hereinafter set forth. In the case of any ad valorem (or similar Taxes levied on a per diem basis), such Taxes shall be apportioned on the basis of the amount of the ad valorem Taxes for the entire Straddle Period *multiplied by* a fraction, the numerator of which is the total number of days in the Pre-Closing Straddle Period and the denominator of which is the total number of days in the Straddle Period, with the Buyer paying the portion apportioned to the Pre-Closing Straddle Period and the Sellers paying the portion apportioned to the Post-Closing Straddle Period. In the case of any other Taxes related to the Straddle Periods, such Taxes shall be apportioned based on an interim closing of the books as of the Closing Date, with a first deemed short taxable year ending on and including the Closing Date and a second deemed short taxable year beginning on and including the day after the Closing Date with the Sellers paying taxes for the first deemed short taxable year and the Buyer paying taxes for the second deemed short taxable year. Any amounts that may be taken into account only once in any Straddle Return (e.g., the benefit of graduated tax rates, exemption amounts, depreciation and similar items) shall be allocated between the Tax Returns by multiplying such item by a fraction, the numerator of which is the total number of days in the Pre-Closing Straddle Period and the denominator of which is the total number of days in the Straddle Period; provided however, that carryforward of any tax attribute from a prior period (e.g., net operating loss, excess charitable contribution, tax credit or similar item) shall be applied first against the first deemed short taxable year and any excess to the second deemed short taxable year. At least forty-five (45) days before the due date (taking into account all extensions granted), Buyer shall deliver or cause to be delivered to the Representative all such Straddle Returns for the Representative’s review prior to filing. Within twenty (20) days after receiving a copy of each such Straddle Return, the Representative shall notify Buyer whether or not it has any objections to such Straddle Return or the contents thereof. If the Representative (or any of the Sellers) objects to a proposed Straddle Return and/or the contents thereof, the Representative shall provide a notice of such objection together with a statement describing in reasonable detail the basis for such objection within twenty (20) business days after receiving a copy of each such Straddle Return. Buyer will make such changes to such Straddle Return as the Representative (or Sellers) and Buyer mutually and reasonably determine necessary or appropriate. If the Representative and Buyer cannot resolve any dispute regarding a proposed Straddle Return and/or the contents thereof, the Accounting Firm shall resolve such dispute within a reasonable time, taking into account the deadline for filing such Straddle Return (including taking into account any valid extension to file). Such resolution shall be final and binding on each of the Parties, and Buyer shall pay one-half and the Representative shall pay one-half of the cost of the Accounting Firm. Buyer shall promptly provide to the Representative a true and complete copy of the filed Income Straddle Return and pay to the appropriate Governmental Entity all Income Taxes of the Company or any of its Subsidiaries for any Pre-Closing Periods, subject to reimbursement as provided below in **Section 6.02(c)**.

(iii) Neither Buyer nor any of its Affiliates shall (or shall cause or permit the Company or any of its Subsidiaries to), without the express consent of Sellers (such consent not to be

unreasonably withheld, conditioned or delayed), (A) amend, refile or otherwise modify any Tax Return relating in whole or in part to the Company or any of its Subsidiaries with respect to any Pre-Closing Taxable Period (or with respect to any Straddle Period) or (B) make, or cause to permit to be made, any Tax election, or adopt or change any method of accounting, or undertake any extraordinary action on the Closing Date, that would materially and adversely affect Sellers or the Company, including: (1) reporting any Transaction Deduction pursuant to the “next day rule” under Treasury Regulation section 1.1502-76(b)(1)(ii)(B) with respect to such deductions; (ii) reporting any Buyer Post-Closing Date Transaction as occurring on the Closing Date without applying the “next day rule” under Treasury Regulation section 1.1502-76(b)(1)(ii)(B) (or any similar provision of applicable Law); (iii) filing any election under Section 338(g) of the Code (or any similar provision of applicable Law); or (iv) electing to ratably allocate items pursuant to an election under Treasury Regulation section 1.1502-76(b)(2) (or any similar provision of applicable Law).

(c) **Responsibility for Taxes.** If the Closing occurs, and subject to the terms and conditions of **Article VIII**, each Non-Management Seller shall be solely responsible, severally but not jointly, for such Non-Management Seller’s share (which shall equal such Non-Management Seller’s Ownership Percentage divided by the sum of the Ownership Percentages of all of the Non-Management Sellers) of (i) all Income Taxes (including the non-payment thereof) of the Company for all Pre-Closing Taxable Periods and the portion of any Straddle Period ending on the Closing Date, (ii) all Income Taxes of any member of an affiliated, consolidated, combined or unitary group in which the Company is or was a member on or prior to the Closing Date, including pursuant to Treasury Regulation section 1.1502-6 or any similar state, local or foreign Law, (iii) any Income Tax or payroll Tax withholding obligations or liabilities for any Pre-Closing Taxable Periods and Pre-Closing Straddle Period (and any Post-Closing Taxable Periods to the extent any additional payments or adjustments pertaining to Pre-Closing Taxable Periods are required pursuant to this subsection (iii)) of the Company or any Subsidiary (including federal and state income tax withholding, backup withholding, FICA, FUTA or other payroll taxes) associated with the issuance to employees of restricted stock units or other equity securities of the Company or any Subsidiary, and any Tax or similar “gross-up” payments made to such employees by the Company or any Subsidiary associated with the issuance of restricted stock units or other equity securities of the Company or any Subsidiary entered into on or prior to the Closing Date, and (iv) any Taxes owed by Sellers as a result of any other transactions entered into on or before the Closing Date by and between any Seller and the Company or any Subsidiary; in the case of part (i), (ii) and (iii), except to the extent such Taxes or obligations (x) are reflected in the amount of any reserve, provision or allowance (in the form of an accrued liability or an offset to an asset or similar item) that was reflected in the Closing Statement (as finally adjusted and determined pursuant to **Section 2.02(b)**), (y) are reflected in the Company’s Tangible Net Equity as of the Adjustment Time (as finally adjusted and determined pursuant to **Section 2.02(b)**), or (z) or are incurred as a result of any breach by Buyer of its obligations under this Agreement.

(d) **Tax Refunds.**

(i) **For the Benefit of Sellers.** Any refund or credit of Taxes (including any interest paid thereon) for any Pre-Closing Tax Period or for any Pre-Closing Straddle Period of the Company and any of its Subsidiaries (a “**Pre-Closing Tax Refund**”), net of any reasonable out-of-pocket expenditures incurred by the Buyer or the Company or any of its Subsidiaries in order to obtain such refund, shall be the property of the Non-Management Sellers and shall be retained by the Non-Management Sellers or their designee (as designated by the Representative) (or promptly paid to the Non-Management Sellers or

their designee (as designated by the Representative) by Buyer if such amount (or the benefit of such amount, if, for example, a refund is credited against Tax for another year) is received by Buyer or the Company or any of their respective Subsidiaries or Affiliates). Buyer shall cooperate in the filing of a claim for refund for the Company or any of its Subsidiaries with respect to any Pre-Closing Tax Refund if (A) the Representative reasonably requests that Buyer or the Company or any of its Subsidiaries file such claim for refund; (B) all costs related to the preparation of such claim for refund are paid for by the Representative (or the Non-Management Sellers); and (C) the filing of such claim for refund does not materially and adversely affect Buyer or the Company or any of its Subsidiaries as reasonably determined by Buyer. For the avoidance of doubt, Pre-Closing Tax Refunds shall not include any refunds or reductions in Taxes attributable to the carryback of a Tax attribute arising out of a Post-Closing Tax Period or Post-Closing Straddle Period; provided, however, that in the event the Company or any of its Subsidiaries has paid estimated federal or state Taxes with respect to the taxable year beginning on or after January 1, 2014, and the amount of such Taxes paid with respect to any Governmental Entity is in excess of the amount of such Taxes that would be owed to such jurisdiction for the taxable year (or portion thereof) ending on the Closing Date based on the application of the principles set forth in **Section 6.02(b)(ii)**, such excess shall be considered a Pre-Closing Tax Refund.

(ii) Notwithstanding anything provided for in this **Section 6.02(d)**, in the event that Sellers are liable to indemnify Buyer Indemnified Parties under **Section 8.02(a)** and there is no amount remaining in the Escrow Account to satisfy such indemnity claim, Buyer may withhold payment to Sellers attributable to a Pre-Closing Tax Refund, which amount shall be credited to Sellers' liability under **Section 8.02**.

(e) **Transaction Tax Deductions.**

(i) All Transaction Tax Deductions paid or accrued on or before the Closing Date shall be treated as being incurred in a Pre-Closing Taxable Period and Buyer shall include the Transaction Tax Deductions to the extent permitted by applicable Law on the Tax Returns it is required to file pursuant to **Section 6.02(b)(i)** and no Party shall utilize the "next day rule" in Treasury Regulation Section 1.1502-76(b)(1)(ii)(B) (or any similar provision of non-U.S., state, or local Law) for purposes of reporting such items on the applicable Tax Returns.

(ii) All Tax Reductions relating to a Pre-Closing Taxable Period as a result of or attributable to the Transaction Tax Deductions shall be for the sole benefit of Sellers. To the extent that Buyer or the Company or any of its Subsidiaries receives or realizes a Tax Reduction that is for the benefit of Sellers pursuant to this **Section 6.02(e)(ii)**, Buyer shall within thirty (30) Business Days of receiving such Tax Reduction (if it is in the form of a Tax refund), or filing the Tax Return realizing the Tax Reduction (if it is in the form of a Tax credit, offset or reduction in cash Taxes paid) pay to Sellers the amount of such Tax Reduction (with each Seller receiving an amount equal to the amount of such Tax Reduction *multiplied by* such Seller's Ownership Percentage), but only to the extent that such Tax Reduction is not included as an asset for purposes of computing the Closing Purchase Price, as finally determined.

(iii) To the extent that Buyer or the Company or any of its Subsidiaries realizes any Tax Reduction in a Post-Closing Taxable Period as a result of or attributable to any Transaction Tax Deductions (including as a result of utilizing any net operating loss or other Tax attribute that was created as a result of the Transaction Tax Deductions), Buyer shall, within thirty (30) days of receiving such Tax

Reduction (if it is in the form of a Tax refund), or filing the Tax Return realizing the Tax Reduction (if it is in the form of a Tax credit, offset or reduction in cash Taxes paid), pay to Sellers the amount of such Tax Reduction (with each Seller receiving an amount equal to the amount of such Tax Reduction *multiplied by* such Seller's Ownership Percentage), but only to the extent that such Tax Reduction is not included as an asset for purposes of computing the Closing Working Capital, as finally determined.

(iv) All Tax Reductions computed under **Section 6.02(e)(ii)** and **Section 6.02(e)(iii)** shall be computed assuming that Buyer and the Company and its Subsidiaries recognize all other items of income, gain, loss, deduction or credit and utilize any net operating loss carryforwards (other than any that may be created or increased as a result of the Transaction Tax Deductions), whether now existing or hereafter available, before recognizing any Tax Reduction as a result of or attributable to any Transaction Tax Deductions, and the amount of the Tax Reduction shall be determined on a with and without basis.

(v) Within forty-five (45) days of filing its U.S. federal income tax returns for taxable years subject to this **Section 6.02(e)**, Buyer shall provide the Representative in writing with the basis for its determination that it has realized or has not realized a Tax Reduction attributable to the Transaction Tax Deductions for a Pre-Closing Tax Period only and a schedule with reasonable supporting detail. If the Representative disputes the amount of such Tax Reduction, the Representative shall notify Buyer in writing within sixty (60) days of its receipt of such notice and the basis for its objection and the Representative and Buyer shall act in good faith to resolve any such dispute. If the Representative and Buyer cannot resolve such dispute, the amount of the Tax Reduction in question shall be determined by the Accounting Firm. The Accounting Firm's determination of the item shall be no greater than the Representative's claim with respect to the amount of the Tax Reduction and no less than Buyer's initial determination of the Tax Reduction. The fees and expenses of the Accounting Firm shall be borne equally by Buyer and the Representative. Buyer shall provide all reasonably necessary information to the Accounting Firm so that the Accounting Firm can determine the amount of the Tax Reduction. If Sellers are entitled to any payment in addition to amounts previously paid pursuant to **Section 6.02(e)(ii)** in respect of a Tax Reduction after resolution of the dispute pursuant to this **Section 6.02(e)(v)** Buyer shall pay to Sellers such additional amount within ten (30) Business Days of the resolution of the dispute (with each Seller receiving an amount equal to the amount of such additional amount *multiplied by* such Seller's Ownership Percentage).

(vi) All payments to be made by Buyer to Sellers pursuant to this **Section 6.02(e)** shall be made by wire transfer of immediately available funds free of costs and charges to an account that Sellers (or the Representative) has designated in writing. For the avoidance of doubt, prior to making any payment pursuant to this **Section 6.02(e)**, Buyer shall notify Sellers and the Representative in writing that a payment is to be made pursuant to this **Section 6.02(e)** and request that Sellers (or the Representative) provide wiring instructions for such payment.

(vii) Notwithstanding anything provided for in this **Section 6.02(e)**, in the event that Sellers are liable to indemnify Buyer Indemnified Parties under **Section 8.02(a)** and there is no amount remaining in the Escrow Account to satisfy such indemnity claim, Buyer may withhold payment to Sellers attributable to a Tax Reduction, which amount shall be credited to Sellers' liability under **Section 8.02**.

(f) **Transfer Taxes.** All transfer, documentary, sales, use, stamp, registration, recording fees, value added and other such Taxes and fees (including any penalties and interest) imposed upon,

payable, collectible or incurred in connection with this Agreement or any of the other Transaction Documents or the Transactions (including any real property transfer Tax and any other similar Tax) shall be borne and paid by Sellers when due. The Company shall be responsible for preparing and timely filing all Tax Returns related to the Taxes described in this **Section 6.02(f)**.

(g) **Tax Proceedings.** If an audit, investigation or similar proceeding with respect to any Tax matter shall be commenced after the Closing, or a Claim shall be made, by any Governmental Entity, with respect to Taxes for which Sellers may be liable pursuant to this Agreement, then Buyer shall, or shall cause the Company to, promptly notify the Representative in writing of such audit, investigation or similar proceeding or Claim (a “**Tax Proceeding**”); provided, however, that failure to give such notice shall not affect Sellers’ indemnification obligations unless such failure prevents Seller from taking meaningful control of a Tax Proceeding as hereinafter set forth. Seller shall have the primary right to contest any Tax Proceedings that relate to any Taxes for which Sellers may be liable pursuant to this Agreement for any Pre-Closing Taxable Periods, including any Straddle Periods (at Seller’s expense), and shall have discretion and authority to pay, settle or compromise any such Tax Proceedings (including selection of counsel, the pursuit or waiver of any administrative proceeding or the right to pay the Tax and sue for a refund or contest the Tax Proceeding in any permissible manner); provided, however, that (i) Buyer (or its advisors) may fully participate at Buyer’s sole expense in the Tax Proceeding, including the right to receive copies of all correspondence from any Governmental Entity related to such Tax Proceeding and to attend meetings and review and comment on any submissions related to such Tax Proceeding; and (ii) Seller shall not settle any Tax Proceeding in a manner that would materially and adversely affect Buyer or the Company after the Closing without the prior written consent of Buyer (which consent shall not be unreasonably withheld, conditioned or delayed). The Company shall provide duly completed powers of attorney to permit the foregoing. Seller shall keep Buyer timely informed with respect to the commencement, status and nature of any such Tax Proceeding. Upon the conclusion of any such Tax Proceeding in accordance with the foregoing, whether by way of settlement or otherwise, Buyer shall cause the Company and an appropriate officer of the Company to execute any and all agreements, instruments or other documents that are necessary or appropriate to conclude such Tax Proceeding. To the extent this **Section 6.02(g)** conflicts with **Section 8.05**, this **Section 6.02(g)** shall control.

Section 6.03 Access to Information.

(a) **Company Information.** Subject to compliance with applicable Law and this **Section 6.03**, from and after the date hereof until the earlier of (i) the Closing Date and (ii) the termination of this Agreement in accordance with its terms, upon reasonable advance written notice from Buyer to the Company, the Company shall provide to Buyer and its authorized representatives reasonable access, during normal business hours (and under supervision of Company’s personnel or representatives), to the premises, books, records, employees at the manager level or above and Contracts of or pertaining to the Company and its Subsidiaries as Buyer may reasonably request, in a manner so as to not interfere with the normal business operations of the Company or any of its Subsidiaries. Notwithstanding anything to the contrary in this Agreement, neither Sellers nor the Representative nor the Company nor any of its Subsidiaries shall be required to disclose any information or provide any access to Buyer (or any other Person) if such disclosure or access would, in the Company’s or the Representative’s reasonable discretion: (A) jeopardize any attorney-client or other privilege or (B) contravene any applicable Law, fiduciary duty or agreement entered into prior to the date of this Agreement. Prior to the Closing, without

the prior written consent of the Representative and the Company, which shall not be unreasonably withheld, neither CPS nor Buyer shall (and CPS and Buyer shall cause their respective Affiliates, directors, officers, members, managers, employees, consultants, contractors, financial advisors, counsel, accountants and other agents and representatives to not) contact any suppliers to, or employees (other than employees at the manager level or above), providers or customers of, the Company or any of its Subsidiaries and neither CPS nor Buyer shall have any right to perform invasive or subsurface investigations of any real property owned, leased, used or occupied by the Company or any of its Subsidiaries. Each of CPS and Buyer shall, and shall cause each of their respective Affiliates, directors, officers, members, managers, employees, consultants, contractors, financial advisors, counsel, accountants and other agents and representatives to, abide by the terms of the Confidentiality Agreement, including with respect to any access or information provided pursuant to this **Section 6.03**. Subject to compliance with applicable Law and this **Section 6.03**, from and after the date hereof until the earlier of (x) the Closing Date and (y) the termination of this Agreement in accordance with its terms, (1) the Company, Sellers and Representative shall reasonably cooperate with Buyer and its representatives and shall use commercially reasonable efforts to schedule and arrange meetings or consent to Buyer scheduling and arranging meetings with such providers, customers, Governmental Entities and such other Persons with whom Buyer may reasonably request a meeting, (2) the Company, Sellers and Representative shall reasonably cooperate in good faith with Buyer on operating issues which Buyer identifies take priority, including using commercially reasonable efforts to develop and implement commercially reasonable plans for integration and conversion with Buyer and establish commercially reasonable policies and processes that conform, subject to applicable Law, to Buyer's commercially reasonable policies and processes, (3) the Company shall use commercially reasonable efforts to consult with Buyer on all material strategic and material operational matters, in each case, other than any matters occurring in the Ordinary Course of Business, and (4) upon Buyer's written request, the Parties shall use commercially reasonable efforts to establish a transition planning team of at least six (6) members comprised of three (3) representatives of Buyer and CPS and three (3) representatives of the Company, which shall be responsible for facilitating a commercially reasonable transition and integration planning process to assist in the combination of the operations of Buyer and the Company.

(b) **Materials Filed with Government Entities.** Sellers or the Company (or its Subsidiaries) shall provide such written consents and authorizations as may be reasonably necessary for CPS and Buyer and their representatives to have access to materials on file with Governmental Entities. Nothing in this Agreement to the contrary shall, in any manner, restrict the ability of Buyer to discuss the business and affairs of the Company or its Subsidiaries with any Governmental Entity having jurisdiction over the Company or its Subsidiaries or the Transactions or the fiscal intermediaries administering the Company's payor programs; provided, however, that: (i) Buyer shall not initiate any discussions related to the Transactions, the Company, any of its Subsidiaries or the Business with the DMHC, the DHCS, CMS, L.A. Care, AHCCCS or TDI without first giving the Company written notice that Buyer intends to enter into such discussions, and giving the Company, Sellers and the Representative an opportunity to participate in such discussions, subject to the Buyer's right to request in its reasonable discretion that Company, Sellers and the Representative refrain from attending or participating in such meeting and, in addition, CPS and Buyer may engage in confidential discussions with DMHC and CMS regarding the terms and conditions of the Transaction and any undertakings and other conditions proposed by DMHC in connection with the Material Modification Notice and related proceedings with respect to the Transaction

without the participation of the Company, Sellers or the Representative; (ii) none of the Company, Sellers or the Representative shall initiate any material discussions with the DMHC, the DHCS, CMS, L.A. Care, or AHCCCS without first giving Buyer notice that the Company, Sellers or the Representative intends to enter into such discussions, and giving Buyer an opportunity to participate in such discussions subject to the Company's, Sellers' or the Representative's right to request in their reasonable discretion that CPS and Buyer refrain from attending or participating in such meetings and, in addition, the Company, Sellers or the Representative may engage in confidential discussions with DMHC and CMS regarding the terms and conditions of the Transaction without the participation of CPS or Buyer; and (iii) all such discussions shall be subject to the terms and conditions of the Confidentiality Agreement to the extent practicable. In the event CPS or Buyer engages in confidential discussions with DMHC or CMS, Buyer or its representatives shall provide the Company, Sellers and the Representative a true, complete and accurate written summary report of such discussions. The Parties shall coordinate and cooperate with one another in connection with any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any Party in connection with such discussions.

Section 6.04 Exclusivity. During the period from the date of this Agreement through the earlier to occur of the Closing or the termination of this Agreement pursuant to Article IX, no Seller shall, nor shall it cause or permit the Company or any Subsidiary of the Company to (i) solicit, initiate or encourage the submission of any proposal or offer from any Person (other than CPS, Buyer or any of their respective Affiliates or representatives) relating to the acquisition of any equity interests, or all or substantially all of the assets, of the Company or any of its Subsidiaries or the ability to completely control the Business (including any acquisition structured as a merger, consolidation or share exchange); (ii) enter into, maintain or continue discussions or negotiations (other than discussions or negotiations with CPS, Buyer or any of their respective Affiliates or representatives) regarding, or furnish or disclose to any Person (other than (A) CPS, Buyer or any of their respective Affiliates or representatives or (B) any Governmental Entity or any other Person from whom notice is to be provided or consent or approval is to be obtained in connection with the Transactions) any information in connection with any acquisition of any equity interests, or all or substantially all of the assets, of the Company or any of its Subsidiaries (including any acquisition structured as a merger, consolidation or share exchange); (iii) enter into any letter of intent or purchase agreement, merger agreement or other similar agreement with any Person (other than CPS, Buyer or their respective Affiliates or representatives) with respect to the acquisition of all or substantially all of the equity interests, or all or substantially all of the assets, of the Company or any of its Subsidiaries (including any acquisition structured as a merger, consolidation or share exchange) or (iv) withdraw (or modify in a manner adverse to Buyer or CPS) the Company's board recommendation. In furtherance of the foregoing, Company and Sellers shall notify all Persons from whom they have received acquisition proposals prior to the date hereof and who conducted due diligence reviews of the Company prior to the date hereof that the process has terminated, that all information and documents previously provided or made available to such Persons must be returned to Company or destroyed, and all discussions with such Persons regarding the acquisition of the Company shall cease. Without limiting the generality of the foregoing, it is agreed that any violation of the restrictions on the Company set forth in this **Section 6.04** by any representative of the Company or Sellers shall be a breach of this **Section 6.04** by the Company (it being understood and agreed that any such violation shall be determined as if such representative is bound by the terms of this Agreement).

Section 6.05 Supplement to Disclosure Schedules. From time to time prior to the Closing, the Company, the Sellers or the Representative shall have the right to supplement the Disclosure Schedules (including by adding sections thereto) with respect to any matter hereafter arising or of which the Company or any of the Sellers or the Representative becomes aware after the date hereof with sufficient specificity to enable Buyer to evaluate the significance of such supplemental information (each a “**Schedule Supplement**”) and each such Schedule Supplement shall be deemed to be incorporated into and to supplement amend the Disclosure Schedules as of the Closing Date for purposes of **Article VII** or **Article IX**; provided, however, that (a) the receipt or acceptance by Buyer or CPS of a Schedule Supplement and the subsequent occurrence of the Closing shall not be deemed to cure, and shall not constitute a waiver by Buyer or CPS of its right under **Article VIII** with respect to, (i) any inaccuracies or breaches of any representation, warranty or covenant made or to be made by the Sellers or the Company as of the date hereof or (ii) any Losses which arise out of or result from the facts, circumstances, conditions or matters disclosed in such Schedule Supplement, (b) if the facts, circumstances, conditions or matters disclosed in such Schedule Supplement are capable of cure, Sellers and the Company shall use their commercially reasonable efforts to cure such facts, circumstances, conditions or matters within thirty (30) days of their delivery of such Schedule Supplement, and (c) if any event, development or occurrence which is the subject of a Schedule Supplement constitutes or relates to something that has had a Material Adverse Effect, then Buyer shall have the right to terminate this Agreement for failure to satisfy the closing condition set forth in **Section 7.02**; provided further, however, that if Buyer has the right to, but does not elect to terminate this Agreement within fifteen (15) days of its receipt of a Schedule Supplement, then Buyer and CPS shall be deemed to have irrevocably waived any right to terminate this Agreement (or to not consummate the Transactions) with respect to (or as a result of) any and all facts, circumstances, conditions, events, developments, occurrences or matters disclosed in such Schedule Supplement under any of the conditions set forth in **Article VII** or **Article IX**.

Section 6.06 Notification of Certain Matters. From and after the date of this Agreement until the earlier of (i) termination of this Agreement pursuant to **Article IX** and (ii) the Closing, the Company, the Representative and Buyer shall promptly notify each other in writing after becoming aware of (a) the occurrence, or non-occurrence, of any event or the existence of any fact or condition that, individually or in the aggregate, would reasonably be expected to cause any condition to the obligations of any Party to consummate the Transactions set forth in **Article VII** not to be satisfied or (b) the failure of such Party to comply with any covenant or agreement to be complied with by it pursuant to this Agreement which, individually or in the aggregate, would reasonably be expected to result in any condition to the obligations of any Party to consummate the Transactions set forth in **Article VII** not to be satisfied; provided, however, that, subject to **Section 6.05**, the delivery of any notice pursuant to this **Section 6.06** shall not limit or otherwise affect the remedies available under this Agreement to the Party receiving such notice.

Section 6.07 Resignations. On or prior to the Closing, Sellers or the Company shall deliver to Buyer written resignations, effective as of the Closing Date, of the officers and board members of the Company or its Subsidiaries set forth in **Section 6.07 of the Disclosure Schedules**.

Section 6.08 Employees; Benefit Plans.

(a) For one (1) year following the Closing Date, Buyer shall provide each employee of the Company or any of its Subsidiaries who continues to be employed by Buyer or the Company or any of its Subsidiaries immediately following the Closing Date (collectively, “**Continuing Employees**”) with employee benefits under: (i) Buyer’s employee benefit plans and programs, including any equity incentive plan, pension plan, defined benefit plan, defined contribution plan, bonus plan, profit sharing plan, severance plan, medical plan, dental plan, life insurance plan, time-off programs and disability plan, in each case to the same extent as similarly situated employees of Buyer; and/or (ii) such Employee Benefit Plans as are continued following the Closing Date or are assumed by Buyer (for the purposes of this **Section 6.08** only, the plans referred to in clauses “(i)” and “(ii)” of this sentence being referred to as the “**New Plans**”).

(b) From and after the Closing Date, Buyer shall, and shall cause the Company and its Subsidiaries to, grant all Continuing Employees credit for any service with the Company or any of its Subsidiaries earned prior to the Closing Date for eligibility and vesting (but not for benefit accrual) purposes under the New Plans; provided, however, that no such crediting shall result in duplication of benefits for the same period of service. In addition, Buyer shall use commercially reasonable efforts (and shall cause the Company and its Subsidiaries to use commercially reasonable efforts) to (A) cause to be waived all pre-existing condition exclusions and actively at work requirements and similar limitations, eligibility waiting periods and evidence of insurability requirements under any New Plans to the extent waived or satisfied by a Continuing Employee under any Employee Benefit Plan as of the Closing Date and (B) cause any deductible, co-insurance and covered out-of-pocket expenses paid on or before the Closing Date by any Continuing Employee (or covered dependent thereof) of the Company or any of its Subsidiaries to be taken into account for purposes of satisfying the corresponding deductible, coinsurance and maximum out of pocket provisions after the Closing Date under any applicable New Plan in the year of initial participation.

(c) Nothing contained herein, express or implied, is intended to confer upon any Continuing Employee or any employee of the Company or any of its Subsidiaries any right to continued employment for any period following the date of this Agreement or the Closing Date, or shall constitute an amendment to or any other modification of any New Plan or Employee Benefit Plan. Further, this **Section 6.08** shall be binding upon and inure solely to the benefit of each of the Parties, and nothing in this **Section 6.08**, expressed or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this **Section 6.08** or any other matter related thereto.

Section 6.09 [Intentionally left blank].

Section 6.10 Director and Officer Indemnification and Insurance.

(a) Buyer shall cause all rights to indemnification, advancement of reasonable expenses, and exculpation existing as of the date of this Agreement in favor of any present or former board member or officer of the Company or any of its Subsidiaries and the fiduciaries of any Employee Benefit Plan (collectively, the “**Indemnified D&O Parties**”), as provided in the Governing Documents of the Company or any of its Subsidiaries, or any agreement between an Indemnified D&O Party, on the one hand, and the Company or any of its Subsidiaries, on the other hand, set forth in **Section 6.10 of the**

Disclosure Schedules, with respect to any matters occurring prior to or on the Closing Date, to survive the Transactions and the Closing and to continue in full force and effect (without amendment or modification) for a period of not less than six (6) years after the Closing Date (provided that the rights conferred by this **Section 6.10** shall not apply to any Claim brought by or on behalf of the Representative, any Seller or any of its Affiliates against any Indemnified D&O Parties). Buyer shall cause the Company and its Subsidiaries to advance reasonable expenses in connection with such indemnification as provided in the Governing Documents of the Company or its Subsidiaries in effect on the date hereof or such other applicable agreements in effect on the date hereof subject to receipt of an undertaking from the Indemnified D&O Party.

(b) In addition the foregoing, from and after the Closing, Buyer shall cause the Company and its Subsidiaries to indemnify all present or former board members or officers of the Company or any of its Subsidiaries to the fullest extent permitted by applicable Law with respect to all acts or omissions arising out of or relating to their services as board members or officers of the Company or any of its Subsidiaries, whether asserted or claimed before, on or after or occurring before, on or after the Closing Date (including claims by Sellers or other third parties in connection with the negotiation and execution of this Agreement or any of the other Transaction Documents and the consummation of the Transactions) other than (i) Claims by Buyer arising under this Agreement, the Transaction Documents or related to the Transaction or (ii) fines or penalties imposed by law or matters that are uninsurable as a matter of law. Any Indemnified D&O Parties wishing to claim indemnification under this **Section 6.10(b)**, upon learning of any such claim, action, suit, proceeding or investigation, shall promptly notify Buyer and the Company thereof. In the event of any claim indemnification under this **Section 6.10(b)** for any such claim, action, suit, proceeding or investigation, (i) Buyer or the Company or any of its Subsidiaries shall have the right to assume the defense thereof and neither Buyer nor the Company nor any of its Subsidiaries shall be liable to such Indemnified D&O Parties under this **Section 6.10(b)** for any legal expenses of other counsel or any other expense subsequently incurred by such Indemnified D&O Parties in connection with the defense thereof, except that if Buyer or Company or any of its Subsidiaries elect not to assume such defense or counsel or the Indemnified D&O Parties advise that there are issues that raise conflicts of interest between Buyer or the Company or any of its Subsidiaries and the Indemnified D&O Parties, the Indemnified D&O Parties may retain counsel satisfactory to them, and Purchaser shall and shall cause the Company and its Subsidiaries to pay all reasonable fees and expenses of such counsel for the Indemnified D&O Parties promptly as statements therefor are received; provided, however, the Company and its Subsidiaries shall be obligated pursuant to this **Section 6.10(b)** to pay for only one firm of counsel for all Indemnified D&O Parties in any jurisdiction, (ii) the Indemnified D&O Parties will cooperate in the defense of any such matter and (iii) neither Buyer nor the Company nor any of its Subsidiaries shall be liable under this **Section 6.10(b)** for any settlement of such matter effected without the prior written consent of the Company; and provided, further, that neither Buyer nor the Company nor any of its Subsidiaries shall have any obligation under this **Section 6.10(b)** to any Indemnified D&O Parties if and when a court of competent jurisdiction shall ultimately determine, and such determination shall have become final and non-appealable, that the indemnification of such Indemnified D&O Parties in the manner contemplated by this **Section 6.10(b)** is prohibited by applicable Law.

(c) If any Indemnified D&O Party is or becomes involved in any Claim in connection with any matter subject to indemnification hereunder, Buyer shall cause the Company and its Subsidiaries to, advance as incurred any costs or expenses (including reasonable legal fees and disbursements),

judgments, fines, losses, Claims, damages, liabilities or obligations of any kind arising out of or incurred in connection with such Claim subject to receipt of an undertaking from the Indemnified D&O Party. In the event of any such Claim, (i) Buyer shall cause the Company and its Subsidiaries to cooperate with the Indemnified D&O Party in the defense of any such Claim and (ii) Buyer shall not (and Buyer shall cause the Company and its Subsidiaries not to) settle, compromise or consent to the entry of any judgment in any Claim pending or threatened to which an Indemnified D&O Party is a party (and in respect of which indemnification could be sought by such Indemnified D&O Party hereunder), unless such Indemnified D&O Party otherwise consents in writing.

(d) Buyer hereby acknowledges that the Indemnified D&O Parties may have certain rights to indemnification, advancement of expenses or insurance provided by other Persons. Buyer hereby agrees that (i) Buyer and the Company and its Subsidiaries are the indemnitor of first resort (i.e., their obligations to the Indemnified D&O Parties are primary and any obligation of such other Persons to advance expenses or to provide indemnification for the same expenses or liabilities incurred by any such Indemnified D&O Party are secondary), and (ii) Buyer and the Company and its Subsidiaries shall be required to advance the full amount of expenses incurred by any such Indemnified D&O Party and shall be liable for the full indemnifiable amounts, without regard to any rights any such Indemnified D&O Party may have against any such other Person.

(e) Buyer shall purchase “tail” or “extended reporting period” coverage with respect to any directors and officers liability insurance policies, on terms substantially similar to those in effect as of the Closing Date (the “**Existing D&O Policies**”). Such coverage shall contain substantially the same coverage, limits of liability and terms and conditions as the Existing D&O Policies, and shall cover Claims made within the six (6) years after the Closing Date that arise out of or relate to events which occurred before or on the Closing Date (including in connection with the negotiation and execution of this Agreement and the other Transaction Documents and the consummation of the Transactions), so long as the premiums for such insurance do not exceed 200% of the amounts paid by the Company for the Existing D&O Policies.

(f) Each of the Indemnified D&O Parties entitled to the indemnification, liability limitation and exculpation set forth in this **Section 6.10**, together with such Person’s heirs and legal representatives, is intended to be a third party beneficiary of this **Section 6.10**. The obligations of Buyer and the Company and its Subsidiaries under this **Section 6.10** shall not be terminated or modified in such a manner as to adversely affect any Indemnified D&O Party without the written consent of such affected Indemnified D&O Party. This **Section 6.10** shall survive the consummation of the Transactions and shall be binding on all successors and assigns of Buyer or the Company or any of its Subsidiaries. The covenants contained in this **Section 6.10** shall not be exclusive of any other right to which an Indemnified D&O Party is entitled, whether pursuant to Law, Contract or otherwise. In the event that Buyer or the Company (or any of its Subsidiaries) or any of their successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, then, and in each such case, Buyer shall, and shall cause the Company and its Subsidiaries to, take all necessary action so that the successors or assigns of Buyer or the Company or any of its Subsidiaries, as the case may be, shall succeed to the obligations set forth in this **Section 6.10**.

Section 6.11 Confidentiality. The Parties acknowledge and agree that the Confidentiality Agreement remains in full force and effect and, in addition, covenant and agree to keep confidential, in accordance with the provisions of the Confidentiality Agreement, information provided to such other Parties pursuant to this Agreement or the other Transaction Documents. If this Agreement is, for any reason, terminated prior to the Closing, the Confidentiality Agreement and the provisions of this **Section 6.11** shall nonetheless continue in full force and effect. Each Party shall, and shall cause its Affiliates, and, if such Party is not an individual, its directors, officers, members, managers, employees, consultants, financial advisors, counsel, accountants and other agents and representatives to, abide by the terms of the Confidentiality Agreement.

Section 6.12 Efforts to Consummate; Consents; Filings.

(a) Subject to the terms and conditions herein provided, each Party shall use commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things reasonably necessary, proper or advisable to consummate and make effective as promptly as practicable after the date hereof the Transactions (including the satisfaction, but not waiver, of the closing conditions set forth in **Article VII**). Each Party shall use commercially reasonable efforts to obtain consents of all Governmental Entities and third parties necessary to consummate the Transactions. Promptly after the date of this Agreement, each of the Parties shall provide any required notices to, and make any other required filings with, all Governmental Entities required to consummate the Transactions, including any notifications or applications required to be filed with or obtained from CMS, TDI, AHCCCS, L.A. Care, DHCS, BCBSA and the Notice of Material Modification to be filed with DMHC. Subject to applicable Law, upon request of any Governmental Entity, each Party shall promptly provide such Governmental Entity with any additional information and documentary material that may reasonably be requested by such Governmental Entity in connection with the Transactions. Subject to applicable Law, each of the Parties shall execute or deliver any additional instruments reasonably necessary to consummate the Transactions and to fully carry out the purposes of this Agreement. Any action taken (or any document or instrument signed) by any of the Sellers, the Representative or the Company or any of its Subsidiaries pursuant to this **Section 6.12** may, at the option of the Company or any of the Sellers or the Representative, be conditioned upon and effective as of the Closing.

(b) Subject to **Section 6.12(d)**, in the event any Claim by any Governmental Entity or other Person is commenced which questions the validity or legality of the Transactions or seeks damages in connection therewith, the Parties agree to cooperate and use commercially reasonable efforts to defend against such Claim and, if an injunction or other Governmental Order is issued in any such Claim, to use commercially reasonable efforts to have such injunction or other Governmental Order lifted as promptly as practicable, and to cooperate reasonably regarding any other impediment to the consummation of the Transactions.

(c) Without limiting the foregoing, each Party shall make and not withdraw an appropriate filing, if necessary, pursuant to the HSR Act with respect to the Transactions promptly (and in any event, within twenty (20) Business Days) after the date of this Agreement and shall supply as promptly as practicable to the appropriate Governmental Entities any additional information and documentary material that may be requested pursuant to the HSR Act. Subject to applicable Law, the Parties shall consult and cooperate with each other in connection with any analysis, appearance, notification, filing, presentation, memorandum, brief, argument, opinion or proposal made or submitted by or on behalf of

any Party relating to a proceeding under the HSR Act and shall provide to the Company's, the Sellers', the Representative's or Buyer's outside counsel, as applicable, all documents and information reasonably requested by such counsel promptly upon request, subject to any reasonable restrictions.

(d) Notwithstanding anything in this Agreement to the contrary, neither CPS nor Buyer shall be obligated to take or refrain from taking or to agree to it, its Affiliates or the Company or any of its Subsidiaries taking or refraining from taking any action or to suffer to exist any condition, limitation, restriction or requirement that, individually or in the aggregate with any other actions, conditions, limitations, restrictions or requirements would or would reasonably be likely to result in a Materially Burdensome Condition. A "**Materially Burdensome Condition**" shall mean with respect to CPS or Buyer: (i) a material impairment of the benefits, taken as a whole, which CPS or Buyer reasonably expects to derive from the consummation of the Transactions had CPS or Buyer not been obligated to take or refrain from taking or agreeing to take or refrain from taking such action or suffer to exist such condition, limitation, restriction or requirement; (ii) a material negative effect on the business or the assets, liabilities, properties, operations, results of operations or condition (financial or otherwise) of the Company or any of its Subsidiaries, CPS or Buyer or any of their Affiliates; (iii) any requirement to restrict CPS's or Buyer's ability to adjust or maintain premium rates on any of its or the Company's or any of the Company's Subsidiaries' product; or (iv) any requirement to sell, divest, operate in a specified manner, hold separate or discontinue or limit, before or after the Closing Date, any assets, liabilities, businesses, operations, or interest in any assets or businesses of the Company or any of its Subsidiaries, Buyer or any of Buyer's Affiliates, including any requirement to retain a specified number of employees.

(e) Prior to CPS and Buyer being entitled to invoke the actual or potential imposition of a Materially Burdensome Condition, CPS and Buyer will use commercially reasonable efforts to have such Materially Burdensome Condition or Conditions removed or modified by the Governmental Entity imposing such condition to permit the Closing to occur by the Expiration Date. [REDACTED]

[REDACTED]

. If, notwithstanding CPS's willingness to directly affect the Transaction with Sellers, Materially Burdensome Conditions continue to exist whether or not related to Buyer's participation in the Transactions, CPS and Buyer shall be entitled to invoke the actual or potential Materially Burdensome Condition and terminate this Agreement pursuant to **Section 9.01(d)**.

(f) Subject to applicable Law, each Party shall promptly consult with the other Parties with respect to, and shall provide any necessary or appropriate information with respect to (and, in the case of correspondence, provide the other Parties (or their counsel) copies of), all filings made by such Party with any Governmental Entity or any other information supplied by such Party to, or correspondence with, a Governmental Entity in connection with this Agreement or the Transactions. Subject to applicable Law, each Party shall promptly inform the other Parties of any communication from any Governmental Entity regarding this Agreement or the Transactions. If any Party receives a request for additional information or documentary material from any Governmental Entity with respect to the Transactions, then such Party shall use commercially reasonable efforts to make, or cause to be made, promptly and after consultation

with the other Parties in accordance with applicable Law, an appropriate response in compliance with such request. To the extent practicable, each Party shall give the other Parties prior written notice of any scheduled meeting with a Governmental Entity from whom consent must be obtained in order to consummate the Transactions and to the extent known the agenda for such meeting. To the extent permitted by Law and not opposed by the relevant Governmental Entity, the Parties will cooperate with each other to include in person or by telephone representatives of the other Parties in such meetings; provided, however, each Party reserves the right to request that any other Party refrain from attending such meeting if it determines in its reasonable discretion that a private meeting would facilitate the exchange of views with the Governmental Entity and the resolution of outstanding issues, including Materially Burdensome Conditions and conditions or undertakings that are proposed to be imposed by such Governmental Entity in connection with its consent, approval, or non-objection.

(g) The Parties shall use their commercially reasonable efforts to obtain any consents, waivers and approvals of third parties (other than Governmental Entities) and make any other notifications that may be required in connection with the Transactions. Buyer shall reasonably cooperate with the Sellers' and the Company's efforts in obtaining such consents, waivers and approvals. The Parties shall promptly advise the other Parties of any communication that causes them to believe that there is a reasonable likelihood that any such consent, waiver or approval will not be obtained or that the receipt of such consent, waiver or approval will be materially delayed or conditioned. Notwithstanding anything to the contrary in this Agreement, none of the Sellers, the Representative, the Company nor any of its Subsidiaries shall be required or obligated to (i) pay any consideration to any Person from whom consent or approval is requested or required in connection with this Agreement, the other Transaction Documents or the Transactions or (ii) amend, modify or enter into any Contract or arrangement with any Person from whom consent or approval is requested or required in connection with this Agreement, the other Transaction Documents or the Transactions.

Section 6.13 Real Property.

(a) **Title Insurance.** On or prior to the Closing Date, the Company shall provide to Buyer current title insurance commitments, issued by a title insurance company or companies, agreeing to issue to the Company or its Subsidiaries (as applicable) 2006 ALTA Extended Coverage Owner's or Leasehold (as applicable) Polic(ies) of Title Insurance with a liability amount equal to the current value of the property (subject to title company's approval) with respect to each parcel of real property owned or leased by the Company or any its Subsidiaries subject only to those exceptions reasonably approved in writing by Buyer.

(b) **Estoppel Certificates.** On or prior to the Closing Date, the Company shall provide to Buyer an estoppel certificate or status letter from the landlord under each lease of real property pursuant to which the Company or any of its Subsidiaries is a tenant, certifying that (i) the lease is valid and in full force and effect, (ii) the amounts payable by the Company or its Subsidiaries (as applicable) under the lease and the date through which the same have been paid, (iii) whether there are, to the knowledge of such landlord, any defaults under the lease, and, if so, specifying the nature thereof, (iv) the Transactions will not constitute a default under the lease, and (v) the lease has not been amended except as expressly stated therein.

Section 6.14 Section 280G Vote.

(a) **Waivers.** Prior to the Closing Date, the Company shall use its reasonable efforts to solicit a waiver from each Person that is (i) reasonably anticipated to be a “disqualified individual” (as defined in Section 280G(c) of the Code) and (ii) reasonably anticipated that such Person will receive payments or benefits that the Company is obligated to pay or provide that will not be deductible under Section 280G of the Code or subject to an excise Tax under Section 4999 of the Code as a result of the Transactions, such that after giving effect to all such waivers, the Company anticipates that no payment to or benefit received by such disqualified individual will not be deductible under Section 280G of the Code or subject to an excise Tax under Section 4999 of the Code (the payments and benefits waived shall be collectively referred to as the “**Section 280G Waived Payments**”). To the extent received by the Company, such signed waivers shall be provided to Buyer no later than ten (10) Business Days prior to the anticipated Closing Date.

(b) **Seller Vote.** Prior to the applicable vote, the Company shall provide to CPS and Buyer its calculations with respect to Section 280G of the Code and drafts of the related waivers and information statements required for purposes of this **Section 6.14**, which calculations, waivers and information statements shall be subject to Buyer’s reasonable review. After receiving all waivers expected to be received pursuant to **Section 6.14(a)**, the Sellers and the Company shall submit for approval of the Sellers all Section 280G Waived Payments, and all other payments and benefits that the Company or any Affiliate intends to pay, which absent shareholder approval could, in whole or in part, be nondeductible under Section 280G of the Code or could be subject to an excise Tax under Section 4999 of the Code, in a manner intended to comply with the requirements of Section 280G(b)(5)(B) of the Code (and Treasury Regulations promulgated thereunder), including the preparation and disclosure of appropriate disclosure materials.

Section 6.15 Books and Records. Except as otherwise set forth in this **Section 6.15**, after the Closing Date, CPS and Buyer shall, and shall cause the Company and its Subsidiaries to, until the fifth (5th) anniversary of the Closing Date, retain all books, records and other documents pertaining to the Company or any of its Subsidiaries or the Business in existence on the Closing Date and make the same available for inspection and copying by the Representative and Sellers and their representatives during normal business hours of the Company or its Subsidiaries upon reasonable request and upon reasonable notice. None of CPS, Buyer, the Company or its Subsidiaries (or their respective successors or assigns) shall destroy or dispose of or allow the destruction or disposition of books, records or other documents pertaining to the Company or any of its Subsidiaries or the Business, without first having offered in writing to deliver such documentation to the Representative for distribution to the Sellers. Buyer and the Company and its Subsidiaries (or their respective successors and assigns) shall be entitled to dispose of such documentation if the Representative shall fail to request copies thereof within one hundred twenty (120) days after the Representative’s receipt of the notice described in the preceding sentence with respect to such documentation.

Section 6.16 Public Announcements. Unless otherwise required by applicable Law, stock exchange requirements (based upon the reasonable advice of counsel) or **Section 6.12**, no Party shall make any public announcements in respect of this Agreement or the other Transaction Documents or the Transactions or otherwise communicate with any news media without the prior written consent of the

other Party (which consent shall not be unreasonably withheld, conditioned or delayed), and the Parties shall cooperate as to the timing and contents of any such announcement.

Section 6.17 Provider Contracts with Seller-Owned Providers. Section 6.17 of the Disclosure Schedules sets forth each Provider Contract between the Company or any of its Subsidiaries, on the one hand, and any Affiliated Provider, on the other hand (“**Affiliated Provider Contracts**”). Before the Closing, Buyer shall have entered into an agreement with each counterparty to each Affiliated Provider Contract (other than the Company or any Subsidiary) to modify the rates contemplated by each such Affiliated Provider Contract to a rate that is substantially equal to the average rates for such providers in the same geographic service area as the geographic service area covered by such Affiliated Provider Contract.

Section 6.18 Further Assurances. Following the Closing, each of the Parties shall, and shall cause their respective Affiliates to, execute and deliver such additional documents, instruments, conveyances and assurances, and take such further actions as may be reasonably required to carry out the provisions of this Agreement and the other Transaction Documents and give effect to the Transactions.

Section 6.19 Non-Competition; Non-Solicitation.

(a) After the Closing, (i) with respect to each Management Seller, for a period ending on the [REDACTED], or (ii) with respect to each Non-Management Seller, for a period of [REDACTED] years after the Closing Date, such Seller shall not, anywhere in the States of California or Arizona (the “**Restricted Territory**”), directly or indirectly invest in, own, manage, operate, finance, control, advise, work for, render services to or guarantee the obligations of any Person engaged in (or any Person that such Seller actually knows is planning to become engaged in) a business that directly competes with the Business in the Restricted Territory (the “**Restricted Business**”); provided, however, that, notwithstanding anything to the contrary in this **Section 6.19**, a Seller may own, purchase or otherwise acquire up to (but not more than) [REDACTED] percent [REDACTED] of any class of the securities of any Person engaged in (or planning to become engaged in) the Restricted Business (but may not otherwise actively participate in the activities of such Person relating to the Restricted Business) if such securities are listed on any national securities exchange (and activities by such Person shall not constitute a breach of this **Section 6.19**); provided, further, that nothing in this **Section 6.19** shall prohibit or restrict (A) any Seller from engaging in the business of a limited Knox-Keene licensee for the purpose of accepting full risk or capitation payments from another Knox-Keene licensee and (B) any Seller that is an independent physician association from contracting as a network provider with any other Knox-Keene licensee.

(b) For a period of [REDACTED] years after the Closing Date, (1) with respect to each Management Seller, no Management Seller shall personally and directly do any of the following, and (2) with respect to each Non-Management Seller, no Non-Management Seller, shall, directly or indirectly do any of the following:

(i) solicit the business of (A) any Governmental Entity with which the Company or its Subsidiaries have Contracts, or (B) any Medicare or Medi-Cal beneficiary eligible for healthcare services from the Company or any of its Subsidiaries, in each case as of the Closing Date and during the one (1) year period immediately preceding the Closing Date, for the purpose of diverting such

Person's business from the Company or any of its Subsidiaries; provided, that neither generalized solicitations through media advertisement or otherwise that are not directed to any such Governmental Entity or Medicare or Medi-Cal beneficiary nor any engagement or other relationship pursuant to or as a result thereof shall constitute a violation of the foregoing;

(ii) cause, induce or attempt to cause or induce any customer, supplier, licensee, licensor, franchisee, employee, consultant or other business relation of the Company or any of its Subsidiaries on the Closing Date to cease doing business with the Company or any of its Subsidiaries or otherwise negatively alter its business relationship with the Company; provided, that neither generalized solicitations through media advertisement or otherwise that are not directed to any such customer, supplier, licensee, licensor, franchisee, employee, consultant or other business relation nor any engagement, employment, hiring or other relationship pursuant to or as a result thereof shall constitute a violation of the foregoing; or

(iii) hire, retain or attempt to hire or retain any employee of the Company or any of its Subsidiaries as of the Closing Date, unless such employee has not been employed by the Company or any of its Subsidiaries for a period of at least six (6) months; provided, that neither generalized searches or solicitations through media advertisement, employment firms or otherwise that are not directed to such personnel or employees nor any employment or hiring pursuant to or as a result thereof shall constitute a violation of the foregoing.

(c) If a final judgment of a court or tribunal of competent jurisdiction determines that any term or provision contained in this **Section 6.19** is invalid or unenforceable, then the Parties agree that the court or tribunal will have the power to reduce the scope, duration or geographic area of the term or provision, to delete specific words or phrases or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision. This **Section 6.19** will be enforceable as so modified after the expiration of the time within which the judgment may be appealed (but in no event longer than the time periods set forth in this **Section 6.19**). The Parties acknowledge and agree that this **Section 6.19** is reasonable and necessary to protect and preserve Buyer's legitimate business interests and the value of the Business and to prevent any unfair advantage conferred on Sellers.

Section 6.20 Financing of Buyer; Guarantee. CPS shall provide to Buyer within two (2) Business Days prior to the Closing Date cash in an amount sufficient to permit Buyer to pay the Closing Purchase Price, the Seller Closing Amount, the Escrow Amount, the Representative Expense Amount, Closing Indebtedness, Sellers Expenses, and Buyer's other financial, payment or indemnification obligations under this Agreement as well as such amounts as are necessary to comply with regulatory financial requirements. CPS hereby absolutely, unconditionally and irrevocably guarantees to the Company, each of the Sellers, the Representative and each of the other Seller Indemnified Parties the due performance of each and every obligation of Buyer in accordance with the terms of this Agreement or any of the other Transaction Documents.

Section 6.21 Release. Effective as of the Closing, each Seller, severally and not jointly, and, for any Seller that is not an individual, on behalf of itself and its officers, directors, partners, members, beneficiaries, managers and shareholders, hereby unconditionally and irrevocably and forever releases

and discharges CPS, Buyer, the Company and each of its Subsidiaries and their respective Affiliates and each of their respective successors and assigns, and any present or former directors, managers, officers, employees or agents of such Person (each, a “**Buyer Released Party**”), of and from, and hereby unconditionally and irrevocably waive, any and all claims, debts, losses, expenses, proceedings, covenants, suits, judgments, damages, actions and causes of action, obligations, accounts, and liabilities of any kind or character whatsoever, known or unknown, suspected or unsuspected, in contract, direct or indirect, at law or in equity that such party ever had, now has or ever may have or claim to have against any Buyer Released Party, for or by reason of any matter, circumstance, event, action, inaction, omission, cause or thing whatsoever in respect of (i) any right to any equity interest or option or other ownership interest in the Company or any of its Subsidiaries, issued or issuable or agreed to by any Person prior to the Closing, (ii) any obligation to make any payment to any of the Sellers or the Representative of any amount other than (x) as set forth in this Agreement or in any other Transaction Document (or any other Contract or arrangement entered into at or after the Closing) or any Provider Contract or (y) salary or bonus to employees of the Company or any of its Subsidiaries paid or payable in the Ordinary Course of Business that has been accrued as a liability and adjusted pursuant to the terms of this Agreement, (iii) any payment or obligation under any Contract with the Company or any of its Subsidiaries as of the Closing, other than (x) salary or bonus to employees of the Company or any of its Subsidiaries paid or payable in the Ordinary Course of Business that has been accrued as a liability and adjusted pursuant to the terms of this Agreement or (y) any payment or obligation under this Agreement or any other Transaction Document (or any other Contract or arrangement entered into at or after the Closing) or any Provider Contract, and (iv) any claims with respect to payments under this Agreement that are required to be made to Sellers by the Representative; provided, however, that notwithstanding the foregoing, nothing in this **Section 6.21** shall release, discharge or waive any claims, debts, losses, expenses, proceedings, covenants, suits, judgments, damages, rights, actions or causes of action, obligations, accounts, or liabilities of any kind or character whatsoever for or by reason of any matter, circumstance, event, action, inaction, omission, cause or thing whatsoever under, in respect of or relating to (A) this Agreement or any other Transaction Document (or any other Contract or arrangement entered into at or after the Closing), including any claims with respect to payments under this Agreement that are required to be made to the Representative or any of the Sellers by CPS or Buyer, (B) any directors and officers liability insurance policy maintained by any of the Company, its Subsidiaries, CPS or Buyer (or any insurance policy contemplated by **Section 6.10**) prior to, on or after the Closing (including any claim for or right to indemnification, reimbursement or other payment under any such policy), (C) the indemnification provisions of the Governing Documents of the Company or any of its Subsidiaries or (D) any Contract set forth in **Section 6.10 of the Disclosure Schedules** or **Section 6.21 of the Disclosure Schedules**. Each Seller, on behalf of itself and, with respect to Sellers that are not individuals, its officers, directors, managers and shareholders, expressly waive all rights afforded by any statute which limits the effect of a release with respect to unknown claims. Each Seller, on behalf of itself and, with respect to Sellers that are not individuals, its officers, manager, directors and shareholders, understand the significance of this release of unknown claims and waiver of statutory protection against a release of unknown claims, and acknowledge and agree that this waiver is an essential and material term of this Agreement. Each Seller, on behalf of itself and, with respect to Sellers that are not individuals, its officers, directors, managers and shareholders, acknowledges that the Buyer will be relying on the waiver and release provided in this **Section 6.21** in connection with entering into this Agreement and that this **Section 6.21** is intended for the

benefit of, and to grant third party rights to the Buyer and its respective Affiliates to enforce this **Section 6.21**.

ARTICLE VII CONDITIONS TO CLOSING

Section 7.01 Conditions to Obligations of All Parties. The obligations of each Party to consummate the Transactions are subject to the satisfaction (or, if permitted by applicable Law, waiver by the Party or Parties for whose benefit such condition exists), at or prior to the Closing, of the following conditions:

(a) any applicable waiting period under the HSR Act (and any extension thereof) relating to the Transactions shall have expired or been terminated;

(b) no rule, regulation, executive order, decree, temporary restraining order, preliminary or permanent injunction or other Governmental Order issued by any court of competent jurisdiction or other Governmental Entity preventing (or making illegal) the consummation of the Transactions shall be in effect; and

(c) Sellers and the Company shall have received all consents, authorizations and approvals from the Governmental Entities referred to in **Section 3.04** or **Section 4.02** and Buyer shall have received all consents, authorizations and approvals from the Governmental Entities referred to in **Section 5.02**, in each case, (1) in form and substance reasonably satisfactory to Buyer, the Company, the Representative and Sellers, and (2) without the imposition of a Materially Burdensome Condition on CPS, Buyer, or Company or its Subsidiaries, and no such consent, authorization or approval shall have been revoked; provided, however, that each of the Parties shall have complied with **Section 6.12**;

(d)

[REDACTED]

Section 7.02 Conditions to Obligations of CPS or Buyer. The obligations of Buyer to consummate the Transactions shall be subject to the fulfillment or Buyer's waiver (where permissible), at or prior to the Closing, of each of the following conditions:

(a) The representations and warranties of the Company in **Article III** and of the Sellers in **Article IV** that are qualified as to "materiality" or "Material Adverse Effect" shall be true and correct in all respects as of the Closing Date with the same effect as though made at and as of such date and each of the other representations and warranties of the Company in **Article III** and of the Sellers in **Article IV** shall be true and correct in all material respects as of the Closing Date with the same effect as though made at and as of such date (in each case, except those representations and warranties that address matters only as of a specified date, which shall be true and correct as of that specified date);

(b) Sellers and the Company shall have duly performed and complied in all material respects with all covenants required by this Agreement to be performed or complied with by them prior to or on the Closing Date;

(c) Buyer shall have received a certificate, dated the Closing Date and signed by the Representative (on behalf of the Sellers) and an executive officer the Company, that each of the conditions set forth in **Section 7.02(a)** and **Section 7.02(b)** have been satisfied (the “**Seller Closing Certificate**”);

(d) since the date of this Agreement, the Company and its Subsidiaries shall not have suffered any change, development, circumstance or event that has had a Material Adverse Effect;

(e) prior to or at the Closing, Sellers shall have taken the actions, and delivered the items, contemplated by **Section 2.04(b)**;

(f) Buyer shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of the Company certifying that attached thereto are true and complete copies of all resolutions adopted by the board of directors of the Company authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the Transactions, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the Transactions;

(g) Buyer shall have received a certificate signed by the Representative certifying the names and signatures of the individuals authorized to sign this Agreement and the other Transaction Documents on behalf of the Sellers;

(h) Company and L.A. Care shall have entered into the L.A. Care Extension Agreement and such agreement shall have been delivered to the Buyer, which shall be in full force and effect at the Closing Date;

(i) each of the Company’s [REDACTED] shall have entered into employment agreements with Buyer or the Company for a period extending through at least [REDACTED], and providing for terms [REDACTED] (collectively, the “**Executive Employment Agreements**”);

(j) the Bylaws of the Company shall have been amended to remove any approval provisions that require the affirmative vote of eight directors;

(k) the Mutual Termination and Release Agreement, in the form attached hereto as **Exhibit B** shall have been duly executed and delivered to Buyer and the Company; and

(l) either (i) each Seller shall have delivered to Buyer a non-foreign affidavit dated as of the Closing Date, sworn under penalty of perjury and in form and substance required under the Treasury Regulations issued pursuant to Code Section 1445 stating that such Seller is not a “foreign person” as defined in Code Section 1445, or (ii) a statement, signed under penalties of perjury, in form reasonably satisfactory to Buyer and dated no earlier than twenty (20) days prior to the Closing Date, that the Company is not, and has not been during the shorter of the periods specified in Section 897(c)(1)(A)(ii) of the Code, a “United States real property holding corporation” for purposes of Sections 897 and 1445 of the Code and an accompanying notice to the Internal Revenue Service, provided that Buyer’s sole remedy

for the failure to provide the forms list in clause (i) or (ii) shall be withholding of the applicable amounts; and

(m) the deed of trust to which the Company is a party and each other Lien set forth on **Section 7.02(m) of the Disclosure Schedules** shall have been terminated.

Section 7.03 Conditions to Obligations of Sellers and the Company. The obligations of Sellers and the Company to consummate the Transactions shall be subject to the fulfillment or Sellers' (or the Representative's) waiver, at or prior to the Closing, of each of the following conditions:

(a) The representations and warranties of each of CPS and Buyer contained in **Article V** that are qualified as to "materiality" or "Material Adverse Effect" shall be true and correct in all respects as of the Closing Date with the same effect as though made at and as of such date and each of the other representations and warranties of each of CPS and Buyer contained in **Article V** shall be true and correct in all material respects as of the Closing Date with the same effect as though made at and as of such date (in each case, except those representations and warranties that address matters only as of a specified date, which shall be true and correct as of that specified date);

(b) Each of CPS and Buyer shall have duly performed and complied in all material respects with all covenants required by this Agreement to be performed or complied with by CPS or Buyer prior to or on the Closing Date;

(c) Sellers shall have received a certificate, dated the Closing Date and signed by a duly authorized officer of each of CPS and Buyer, that each of the conditions set forth in **Section 7.03(a)** and **Section 7.03(b)** have been satisfied (the "**Buyer Closing Certificate**");

(d) prior to or at the Closing, Buyer shall have taken the actions, and delivered the items, contemplated by **Section 2.04(a)**;

(e) Sellers shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Buyer certifying (A) that attached thereto are true and complete copies of all resolutions adopted by the board of directors of Buyer authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the Transactions, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the Transactions and (B) the names and signatures of the officers of Buyer authorized to sign this Agreement and the other Transaction Documents; and

(f) Sellers shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of CPS certifying (A) that attached thereto are true and complete copies of all resolutions adopted by the board of directors of CPS authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the Transactions, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the Transactions and (B) the names and signatures of the officers of CPS authorized to sign this Agreement and the other Transaction Documents.

Section 7.04 Frustration of Closing Conditions. No Party may rely on the failure of any condition set forth in this **Article VII** to be satisfied if such failure was caused by such Party's failure to use commercially reasonable efforts to cause the Closing to occur, as required by **Section 6.12**.

ARTICLE VIII INDEMNIFICATION

Section 8.01 Survival. Subject to the limitations and other provisions of this Agreement, the representations and warranties contained herein, including the representations and warranties of the Company set forth in **Article III** (including the Company Fundamental Representations), the representations and warranties of Sellers set forth in **Article IV** and the representations and warranties of CPS or Buyer set forth in **Article V** shall survive the Closing until the third (3rd) anniversary of the Closing Date; provided, however, that the representations and warranties set forth in **Section 3.18** (Taxes) shall survive the Closing until the sixty-first day following the expiration of the statute of limitations, if any, applicable to the subject matters set forth therein. Covenants or other agreements which by their terms contemplate performance only prior to the Closing Date shall not survive the Closing Date. Covenants or other agreements which by their terms contemplate performance after the Closing Date, shall survive the Closing for the period contemplated by their terms or until such time as they are terminated by their express terms or as a matter of applicable Law. Notwithstanding anything to the contrary in this Agreement, no Indemnified Party shall be entitled to indemnification under this **Article VIII** unless such Indemnified Party has delivered a Third-Party Claim Notice (in the case of a Third Party Claim) or a Direct Claim Notice (in the case of a Direct Claim), in each case pursuant to **Section 8.05**, to the Indemnifying Party on or prior to the last day of the applicable survival period set forth in this **Section 8.01**.

Section 8.02 Indemnification By Sellers.

(a) Subject to the other terms, conditions and limitations set forth in this **Article VIII**, from and after the Closing, Sellers shall, jointly and severally up to the amount remaining in the Escrow Account, and severally (based on each Seller's Indemnification Percentage) but not jointly for any amount in excess of the amount remaining in the Escrow Account, indemnify Buyer and Buyer's Affiliates, directors, officers, employees, agents, successors, and assigns (collectively, the "**Buyer Indemnified Parties**") against, and shall hold the Buyer Indemnified Parties harmless from and against, any and all Losses incurred or sustained by the Buyer Indemnified Parties based upon or arising out of:

- (i) any breach as of the Closing of any of the representations or warranties of the Company set forth in **Article III** (other than the Company Fundamental Representations);
- (ii) any breach as of the Closing of any of the Company Fundamental Representations;
- (iii) any breach as of the Closing of any of the representations or warranties of any Seller set forth in **Article IV**;
- (iv) any and all Sellers Expenses, Sellers Payables and Closing Indebtedness, in each case, to the extent (A) not already taken into account in the calculation of (or deducted from) the Final Closing Purchase Price or the Sellers Closing Amount or (B) paid or satisfied at or prior to Closing; and
- (v) any dispute (A) among the Sellers regarding the allocation of the Closing Purchase Price among the Sellers or (B) between any Seller and the Representative.

(b) Subject to the other terms, conditions and limitations set forth in this **Article VIII**, from and after the Closing, each Seller shall, severally but not jointly, indemnify the Buyer Indemnified Parties against, and shall hold the Buyer Indemnified Parties harmless from and against, any and all Losses incurred or sustained by the Buyer Indemnified Parties based upon or arising out of any breach of any covenant or obligation to be performed by such Seller pursuant to this Agreement.

(c) The rights of the Buyer Indemnified Parties (and the liability or obligation of the Sellers) under **Section 8.02(a)** and **Section 8.02(b)** shall be subject to the following:

(i) the Buyer Indemnified Parties' right to seek indemnification or recovery with respect to any and all Losses under **Section 8.02(a)(i)** shall be limited solely to the amounts remaining in the Escrow Account, and neither Sellers nor any of their respective Affiliates nor any other Person on behalf of Sellers or any of their respective Affiliates shall have any liability or obligation to any Buyer Indemnified Party with respect to any Losses under **Section 8.02(a)(i)** other than by payments from the amount remaining in the Escrow Account (and the Buyer Indemnified Parties shall not otherwise have any right to indemnification or recovery under **Section 8.02(a)(i)** in excess of the amount remaining in the Escrow Account); provided, that the right to seek indemnification or recovery with respect to any and all Losses based upon any breach of representations and warranties set forth in **Section 3.18** (Taxes) shall not be limited solely to the amounts remaining in the Escrow Account; provided, further that any indemnification or recovery by any Buyer Indemnified Party with respect to any and all Losses based upon or arising out of any breach of representations and warranties set forth in **Section 3.18** (Taxes) shall first be satisfied from the amounts remaining in the Escrow Account and none of the Sellers nor any of their respective Affiliates nor any other Person on behalf of any of the Sellers or any of their respective Affiliates shall have any liability or obligation to any Buyer Indemnified Party or any other Person with respect to any Losses based upon or arising out of any breach of representations and warranties set forth in **Section 3.18** (Taxes) unless and until the amount of such Losses exceeds the amount remaining in the Escrow Account;

(ii) no Buyer Indemnified Party shall have any right to indemnification or recovery (and no Seller shall have any liability or obligation) under **Section 8.02(a)(i)** with respect to any individual or series of related Losses unless and until the aggregate of all such Losses for which the Buyer Indemnified Parties would otherwise be entitled to indemnification under **Section 8.02(a)(i)** exceeds the Deductible Amount, in which case such Buyer Indemnified Parties shall be entitled, subject to the other provisions, limitations and conditions set forth in this **Article VIII**, to indemnification for all such Losses pursuant to **Section 8.02(a)(i)** that are in excess of the Deductible Amount (but not the Losses up to the Deductible Amount) up to the amount remaining in the Escrow Account, which is the maximum aggregate amount of Losses that may be recovered by the Buyer Indemnified Parties pursuant to **Section 8.02(a)(i)**; provided that Losses with respect to a breach of any of the Company Fundamental Representations (or any of the representations or warranties set forth in **Article IV**) shall not be aggregated or counted for purposes of determining whether the Deductible Amount has been reached or exceeded;

(iii) no Buyer Indemnified Party shall have any right to indemnification or recovery (and no Seller shall have any liability or obligation) under **Section 8.02(a)(i)** with respect to any individual or series of related Losses which do not exceed [REDACTED] (which Losses shall not be aggregated or counted for purposes of determining whether the Deductible Amount has been reached or

exceeded); provided that Losses with respect to a breach of any of the Company Fundamental Representations (or any of the representations or warranties set forth in **Article IV**) shall not be aggregated or counted for purposes of determining whether such [REDACTED] threshold has been reached or exceeded;

(iv) any indemnification or recovery by any Buyer Indemnified Party with respect to Losses under **Section 8.02(a)(ii)**, **Section 8.02(a)(iii)**, **Section 8.02(a)(iv)** or **Section 8.02(a)(v)** shall first be satisfied from the amounts remaining in the Escrow Account and none of the Sellers nor any of their respective Affiliates nor any other Person on behalf of any of the Sellers or any of their respective Affiliates shall have any liability or obligation to any Buyer Indemnified Party or any other Person with respect to any Losses under **Section 8.02(a)(ii)**, **Section 8.02(a)(iii)**, **Section 8.02(a)(iv)** or **Section 8.02(a)(v)** unless and until the amount of such Losses, when combined with the amount of all other Losses for which the Buyer Indemnified Parties are entitled to indemnification under **Section 8.02(a)**, exceeds the amount remaining in the Escrow Account;

(v) (A) the Sellers shall not have any liability or obligation under **Section 8.02(a)** or **Section 8.02(b)** in excess of the amount of the Final Closing Purchase Price actually received by the Sellers and (B) no Seller shall have any liability or obligation for any Losses under **Section 8.02(a)** or **Section 8.02(b)** in excess of the portion of the Final Closing Purchase Price that such Seller actually receives pursuant to this Agreement;

(vi) no Buyer Indemnified Party shall have any right to indemnification or recovery (and no Seller shall have any liability or obligation) under **Section 8.02(a)** or **Section 8.02(b)** for (A) any punitive or special damages, losses, liabilities, costs or expenses or (B) any fees, expenses or costs of any in-house counsel or other employees of any of the Buyer Indemnified Parties;

(vii) (A) each of the Buyer Indemnified Parties shall use its commercially reasonable efforts to recover under insurance policies or indemnity, contribution or other similar agreements for any Losses concurrently with seeking indemnification or recovery under this **Article VIII** (provided, however, that in no event shall any indemnification or recovery for Losses from Sellers pursuant to **Section 8.02(a)** or **Section 8.02(b)** be predicated on or tolled or delayed for any recovery or Claim under any insurance policy or indemnity, contribution or other similar agreements), (B) the amount of Losses for which any Buyer Indemnified Party is entitled to indemnification or recovery for pursuant to **Section 8.02(a)** or **Section 8.02(b)** shall be limited to the amount of any Losses, liability or damage that remains after deducting therefrom any insurance proceeds and any indemnity, contribution or other similar payment received by or on behalf of any of the Buyer Indemnified Parties (or the Company or any of its Subsidiaries) in respect of or relating to any such Loss and (C) if any Seller pays to any Buyer Indemnified Party (including through a disbursement from the Escrow Account) an amount in respect of Losses for which any Buyer Indemnified Party is entitled to indemnification or recovery pursuant to **Section 8.02(a)** or **Section 8.02(b)**, and the Buyer Indemnified Parties thereafter receive from a third party any insurance proceeds, contribution or other similar payment related to the matter giving rise to such Losses, to avoid duplication, Buyer shall promptly tender to such Seller an amount equal to the lesser of such sum and the amount that such Seller paid in respect of such Losses; provided, however, that no Seller shall be entitled to receive any payments under this clause (C) if Buyer receives insurance proceeds, contribution or other similar payment for Losses incurred in excess of the Escrow Amount after giving effect to payments made from the Escrow Account;

(viii) the amount of Losses for which any Buyer Indemnified Party is entitled to indemnification for pursuant to **Section 8.02(a)** or **Section 8.02(b)** shall be reduced by an amount equal to any Tax benefit realized as a result of such Loss by any of the Buyer Indemnified Parties (or the Company or any of its Subsidiaries);

(ix) no Buyer Indemnified Party shall have any right to indemnification or recovery under **Section 8.02(a)** or **Section 8.02(b)** to the extent the Losses in question would duplicate (A) any amount already included (or taken into account) in the calculation of the Final Closing Purchase Price (including any amount included in the calculation of Closing Indebtedness, Sellers Expenses, the Excess Statutory Capital Amount or the Statutory Capital Deficiency Amount), (B) the amount of any reserve, provision or allowance (in the form of an accrued liability or an offset to an asset or similar item) that was reflected in the Closing Statement (as finally adjusted and determined pursuant to **Section 2.02(b)**), (C) any amount already included (or taken into account) in the calculation of the Actual IBNR Amount as finally determined pursuant to **Section 2.03(a)**, or (D) the amount of any reserve, provision or allowance that was reflected in the IBNR Closing Statement (as finally adjusted and determined pursuant to **Section 2.03(a)**);

(x) other than with respect to the indemnification or recovery by any Buyer Indemnified Party satisfied solely from the amounts remaining in the Escrow Account, no Seller shall have any liability or obligation to any Buyer Indemnified Party or any other Person under this Agreement (including for any Losses under **Section 8.02(a)**) for any breach by any other Seller of any representation or warranty made by or regarding any other Seller set forth in this Agreement;

(xi) the Buyer Indemnified Parties' right to seek indemnification or recovery with respect to any and all Losses under **Section 8.02(b)** from the Escrow Account shall be limited solely to an amount equal to (A) the amount remaining in the Escrow Account *multiplied by* (B) the Ownership Percentage of the Seller who breached the relevant covenant or obligation;

(xii) other than with respect to the indemnification or recovery by any Buyer Indemnified Party satisfied from a portion of the amounts remaining in the Escrow Account (which shall be limited as set forth in **Section 8.02(c)(xi)**), no Seller shall have any liability or obligation to any Buyer Indemnified Party or any other Person under this Agreement (including for any Losses under **Section 8.02(b)**) for any breach by any other Seller of any covenant, agreement or obligation set forth in this Agreement;

(xiii) a Buyer Indemnified Party shall only be entitled to seek indemnification or recovery for Losses under **Section 8.02(b)** from the Seller who breached the relevant covenant or obligation (and not from any other Seller) or from a portion of the amount remaining in the Escrow Account equal to (A) the amount remaining in the Escrow Account *multiplied by* (B) the Ownership Percentage of the Seller who breached the relevant covenant or obligation; and

(xiv) other than with respect to the indemnification or recovery by any Buyer Indemnified Party satisfied solely from the amounts remaining in the Escrow Account, no Seller shall have any liability or obligation under **Section 8.02(a)** in excess of an amount equal to such Seller's Indemnification Percentage of the amount of Losses under **Section 8.02(a)** for which the Buyer Indemnified Parties are entitled to indemnification or recovery pursuant to **Section 8.02(a)** that exceeds the amounts remaining the Escrow Account.

(d) For the avoidance of doubt, the representations, warranties and statements set forth in **Article III** or **Article IV** shall be considered representations and warranties and shall not be considered agreements, covenants or obligations.

Section 8.03 Indemnification By CPS and Buyer. Subject to the other terms and conditions set forth in this **Article VIII**, from and after the Closing, CPS and Buyer shall, jointly and severally, indemnify Sellers and Sellers' Affiliates, directors, officers, employees, agents, successors, and assigns (collectively, the "**Sellers Indemnified Parties**") against, and shall hold the Sellers Indemnified Parties harmless from and against, any and all Losses incurred or sustained by the Sellers Indemnified Parties based upon or arising out of: (a) any breach as of the Closing of any of the representations or warranties of CPS or Buyer contained in **Article V** or (b) any breach of any covenant or obligation to be performed by CPS or Buyer pursuant to this Agreement. Notwithstanding the foregoing, no Seller Indemnified Party shall have any right to indemnification or recovery (and the Buyer and CPS shall not have any liability or obligation) under **Section 8.02(a)** for (A) any punitive, or special damages, losses, liabilities, costs or expenses or (B) any fees, expenses or costs of any in-house counsel or other employees of any of the Seller Indemnified Parties.

Section 8.04 Obligations of Indemnified Parties. The indemnification provided for in **Section 8.02(a)**, **Section 8.02(b)** and **Section 8.03** shall be subject to the following additional limitations and conditions:

(a) Each Indemnified Party shall take, and cause its Affiliates (including in the case of any of the Buyer Indemnified Parties, the Company and its Subsidiaries) to take, all reasonable steps to mitigate any Loss upon becoming aware of any event or circumstance that would be reasonably expected to, or does, give rise thereto, including incurring costs only to the minimum extent necessary to remedy the breach that gives rise to such Loss.

Section 8.05 Indemnification Procedures.

(a) **Third-Party Claims.** If any Indemnified Party receives notice of (or becomes aware of) the assertion or commencement of any Claim or demand made or brought by any Person (other than a Buyer Indemnified Party or Seller Indemnified Party) (a "**Third-Party Claim**") with respect to which an Indemnifying Party is (or may be) obligated to provide indemnification under this Agreement, the Indemnified Party shall give the Indemnifying Party prompt written notice thereof (a "**Third-Party Claim Notice**") no later than the tenth (10th) Business Day after such Indemnified Party first becomes aware of such Third-Party Claim; provided that for any Third-Party Claim for which a Buyer Indemnified Party is (or may be) entitled to indemnification or recovery under this **Article VIII**, the Representative shall be considered the "Indemnifying Party" for purposes of notice on behalf of itself and all Sellers in this **Section 8.05(a)**; provided, further that no delay on the part of the Indemnified Party in notifying any Indemnifying Party of any Third-Party Claim will relieve the Indemnifying Party of its indemnification obligations with respect to such Third-Party Claim unless (and then only to the extent) said Indemnifying Party is actually prejudiced by such failure to give such notice or forfeits rights or defenses by reason of such failure to give such notice. Such Third-Party Claim Notice shall describe the Third-Party Claim in reasonable detail, shall include copies of all material written evidence thereof (including, to the extent available, copies of all notices and documents, including all court papers, involving or relating to such

Third Party Claim) and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. Thereafter, the Indemnified Party shall promptly deliver to the Indemnifying Party, copies of all notices and documents, including all court papers, involving or relating to the Third Party Claim, (and, in each case, if the Indemnifying Party is a Seller, then such notices, documents and court papers shall be delivered solely to the Representative). The Indemnifying Party shall have the right to participate in, or by giving written notice to the Indemnified Party, to assume and control the defense of any Third-Party Claim at the Indemnifying Party's expense (which, if the Indemnifying Party is any of Sellers or the Representative, shall be limited to the amount remaining in the Escrow Account, to the extent that the indemnification claim of the Indemnified Party is so limited pursuant to **Section 8.02(c)**) and by the Indemnifying Party's own counsel, who shall be reasonably approved by the Indemnified Party, and the Indemnified Party shall cooperate in good faith in such defense. Notwithstanding the foregoing, in the event that the Sellers are the Indemnifying Party and the Third Party Claim is brought by a Governmental Entity, the Indemnified Party shall have the right, by giving written notice to the Indemnifying Party, to assume and control the defense of the Third-Party Claim with the Indemnified Party's own counsel (the fees of which shall be the responsibility of the Indemnified Party) that is reasonably acceptable to the Indemnifying Party, and the Indemnifying Party shall reasonably cooperate in good faith in such defense. In the event that the Indemnifying Party assumes the defense of any Third-Party Claim, subject to **Section 8.05(b)**, it shall have the right to take such action as it deems necessary to avoid, dispute, defend, appeal or make counterclaims pertaining to any such Third-Party Claim in the name and on behalf of the Indemnified Party upon receipt of consent of the Indemnified Party which consent shall not be unreasonably withheld or delayed (and the Indemnified Party shall not settle or compromise such Third-Party Claim). Except as otherwise set forth in this **Section 8.05**, the Indemnified Party shall have the right, at its own cost and expense (for which the Indemnified Party shall not be entitled to indemnification pursuant to this **Article VIII**), to participate in the defense of any Third-Party Claim with counsel selected by it subject to the Indemnifying Party's right to control the defense thereof. If the Indemnifying Party does not elect to assume and control the defense of such Third-Party Claim by promptly providing the Indemnified Party with written notice of such election pursuant to this **Section 8.05** within ten (10) Business Days of the date the Indemnifying Party receives a Third-Party Claim Notice relating to such Third-Party Claim, the Indemnified Party may (after such ten (10) Business Day period), subject to **Section 8.05(b)**, pay, compromise and defend such Third-Party Claim and seek indemnification for any and all Losses relating to such Third-Party Claim (until such time as the Indemnifying Party elects to assume and control the defense of such Third-Party Claim by providing the Indemnified Party with written notice of such election pursuant to this **Section 8.05**). Sellers and Buyer and the Representative (and the Indemnified Party) shall cooperate with each other in all reasonable respects in connection with the defense of any Third-Party Claim, including making available records relating to such Third-Party Claim and furnishing, without expense (other than reimbursement of actual out-of-pocket expenses) to the defending party, management employees of the non-defending party (including the Company and its Subsidiaries) as may be reasonably necessary for the preparation of the defense of such Third-Party Claim. Notwithstanding anything to the contrary in this Agreement, if an Indemnified Party does not comply with its obligations under this **Section 8.05(a)** with respect to allowing the Indemnifying Party to assume and control the defense of a Third-Party Claim in accordance with this **Section 8.05(a)**, then such Indemnified Party shall not have any right to indemnification under this **Article VIII** until the Indemnified Party agrees to compliance and permits the Indemnifying Party to assume such defense with respect to such Third-Party Claim (and the Indemnifying

Party shall in such case not have any liability or obligation with respect to such Third-Party Claim (and if such Indemnifying Party is a Seller or the Representative, then none of the Sellers shall have any liability or obligation with respect to such Third-Party Claim)); provided that no delay on the part of the Indemnified Party in allowing the Indemnifying Party to assume the defense of such Third-Party Claim will relieve the Indemnifying Party from its indemnification obligations unless (and then only to the extent) the Indemnifying Party is actually and materially prejudiced by such failure or forfeits rights or defenses by reason of such failure.

(b) **Settlement of Third-Party Claims.** The Indemnifying Party shall not, without the Indemnified Party's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed), settle or compromise any Third-Party Claim, unless (i) the claimant or plaintiff unconditionally releases the Indemnified Party from all liability with respect to such Third-Party Claim, (ii) there is no finding or admission of any violation of Law or any violation of the rights of any Person by the Indemnified Party, and (iii) the sole relief provided is monetary damages that are paid in full by the Indemnifying Party (or from the amount remaining in the Escrow Account). If the Indemnified Party has assumed the defense of a Third-Party Claim pursuant to **Section 8.05(a)**, the Indemnified Party shall not settle or compromise any Third-Party Claim without the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld, conditioned or delayed).

(c) **Direct Claims.** Any Claim or demand for indemnification pursuant to this **Article VIII** by an Indemnified Party on account of a Loss which does not result from a Third-Party Claim (a "**Direct Claim**") shall be promptly asserted by the Indemnified Party giving the Indemnifying Party prompt written notice thereof (a "**Direct Claim Notice**") no later than the tenth (10th) Business Day after such Indemnified Party first becomes aware of such Direct Claim; provided that for any Direct Claim for which a Buyer Indemnified Party is (or may be) entitled to indemnification or recovery under this **Article VIII**, the Representative shall be considered the "Indemnifying Party" for purposes of notice on behalf of itself and all Sellers in this **Section 8.05(c)**; provided, further that no delay on the part of the Indemnified Party in notifying any Indemnifying Party of any Direct Claim will relieve the Indemnifying Party of its indemnification obligations with respect to such Direct Claim unless (and then only to the extent) said Indemnifying Party is actually prejudiced by such failure to give such notice or forfeits rights or defenses by reason of such failure to give such notice. Such Direct Claim Notice shall describe the Direct Claim in reasonable detail, shall include copies of all material written evidence thereof, to the extent in the possession or control of the Indemnified Party, and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have thirty (30) days after its receipt of such Direct Claim Notice (the "**Direct Claim Response Period**") to respond in writing to such Direct Claim. During such Direct Claim Response Period, the Indemnified Party shall allow the Indemnifying Party and its advisors and representatives to investigate the matter or circumstance alleged to give rise to the Direct Claim, and whether and to what extent any amount is payable in respect of the Direct Claim and the Indemnified Party shall assist the Indemnifying Party's investigation by giving such information and assistance (including access to the premises and personnel of such Indemnified Party and in the case of any Buyer Indemnified Party, the Company and its Subsidiaries and the right to examine and copy any accounts, documents or records of such Indemnified Party and, in the case of any Buyer Indemnified Party, the Company and its Subsidiaries) as the Indemnifying Party or any of its advisors or representatives may reasonably request. If the Indemnifying Party does not so respond to a Direct Claim Notice within the

Direct Claim Response Period, the Indemnifying Party shall be deemed to have rejected the Direct Claim set forth in such Direct Claim Notice, in which case the Indemnified Party shall be free to pursue such remedies as may be available to the Indemnified Party for such Direct Claim on the terms and subject to the provisions of this Agreement. If an Indemnified Party does not comply with its obligations under this **Section 8.05(c)** in allowing the Indemnifying Party to investigate such Direct Claim, then such Indemnified Party shall not have any right to indemnification under this **Article VIII** until the Indemnified Party permits the Indemnifying Party to investigate such Direct Claim. Until such time as the Indemnified Party complies with such investigation of the Direct Claim, the Indemnifying Party shall not have any liability or obligation with respect to such Direct Claim, provided that no delay on the part of the Indemnified Party in allowing the Indemnifying Party to investigate the Direct Claim will relieve the Indemnifying Party from its indemnification obligations unless (and then only to the extent) the Indemnifying Party is actually prejudiced by such failure or forfeits rights or defenses by reason of such failure.

(d) **Representative.** For the avoidance of doubt, if the Indemnifying Party is a Seller (or Sellers), then the Representative shall be entitled to exercise all of the Indemnifying Party's rights under this **Section 8.05**.

Section 8.06 Tax Treatment of Indemnification Payments. All indemnification payments made under this Agreement shall be treated by the Parties as an adjustment to the Closing Purchase Price for Tax purposes, unless otherwise required by Law.

Section 8.07 Exclusive Remedies. Subject to **Section 10.10**, from and after the Closing, the Parties acknowledge and agree that their sole and exclusive remedy with respect to any and all Claims or causes of action for any breach of any representation, warranty, covenant, agreement or obligation set forth in this Agreement (or the Seller Closing Certificate or the Buyer Closing Certificate) or otherwise relating to the subject matter of this Agreement (or the Seller Closing Certificate or the Buyer Closing Certificate), shall be pursuant to the indemnification provisions set forth in this **Article VIII**. In furtherance of the foregoing, from and after the Closing, each Party hereby waives (on behalf of itself and each of the Buyer Indemnified Parties and the Sellers Indemnified Parties), to the fullest extent permitted under Law, any and all rights, Claims and causes of action for any breach of any representation, warranty, covenant, agreement or obligation set forth in this Agreement (or the Seller Closing Certificate or the Buyer Closing Certificate) or otherwise relating to the subject matter of this Agreement (or the Seller Closing Certificate or the Buyer Closing Certificate) it may have against any other Party hereto or its Affiliates or their respective directors, officers, employees, agents, representatives, successors, or assigns, except pursuant to the indemnification provisions set forth in this **Article VIII** and any other indemnification or remedy provisions set forth in, and with respect to, the other Transaction Documents. Nothing in this **Section 8.07** shall limit any Person's right to seek and obtain any equitable relief to which any Person shall be entitled pursuant to **Section 10.10** or seek and obtain remedies for fraud or intentional misrepresentation with intent to deceive.

**ARTICLE IX
TERMINATION**

Section 9.01 Termination. This Agreement may be terminated at any time prior to the Closing:

- (a) by the mutual written consent of the Company, the Representative and Buyer;
- (b) by Buyer by written notice to the Representative and the Company if:

- (i) neither Buyer nor CPS is then in material breach of any representation, warranty, covenant or agreement set forth in this Agreement and there has been a material breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by the Company or the Sellers pursuant to this Agreement that would give rise to the failure of any of the conditions specified in **Section 7.01** and **Section 7.02** and such breach, inaccuracy or failure (A) cannot be or has not been cured within ten (10) days following delivery of written notice from Buyer to Sellers, the Representative and the Company of such breach, inaccuracy or failure and (B) has not been waived by Buyer, provided, however, that a termination by Buyer hereunder shall not relieve the Sellers or the Company of liability for such breach; or

- (ii) any of the conditions set forth in **Section 7.01** or **Section 7.02** shall not have been fulfilled or the Closing shall not have occurred by the Expiration Date, unless such failure shall be due solely to the failure of Buyer or CPS to perform, comply with or fulfill any of the covenants, agreements or conditions hereof to be performed or complied with by Buyer or CPS prior to the Closing;

- (c) by the Representative by written notice to Buyer if:

- (i) neither the Company nor Sellers are then in material breach of any representation, warranty, covenant or agreement set forth in this Agreement and there has been a material breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Buyer or CPS pursuant to this Agreement that would give rise to the failure of any of the conditions specified in **Section 7.01** or **Section 7.03** and such breach, inaccuracy or failure (A) cannot be or has not been cured within ten (10) days following delivery of written notice from the Representative to Buyer of such breach, inaccuracy or failure and (B) has not been waived by the Representative; provided, however, that a termination by the Company, Sellers or the Representative hereunder shall not relieve CPS or Buyer of liability for such breach; or

- (ii) any of the conditions set forth in **Section 7.01** or **Section 7.03** shall not have been fulfilled or the Closing shall not have occurred by the Expiration Date, unless such failure shall be due solely to the failure of Sellers or the Company to perform or fulfill any of the covenants, agreements or conditions hereof to be performed or complied with by Sellers or the Company prior to the Closing; or

- (d) by Buyer, the Representative or the Company in the event that any Governmental Entity shall have issued a Governmental Order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the Transactions and such Governmental Order, decree or ruling or other action shall have become final and nonappealable; provided that the Party seeking to terminate this Agreement pursuant to this **Section 9.01(d)** shall have used commercially reasonable efforts to remove such Governmental Order, decree, ruling, judgment or injunction.

Section 9.02 Effect of Termination. In the event of the termination of this Agreement in accordance with this **Article IX**, this Agreement shall forthwith become void and there shall be no liability on the part of any Party except that:

(a) the provisions of the Confidentiality Agreement and the provisions of this **Section 9.02**, **Article I** and **Article X** shall survive any such termination; and

(b) nothing in this **Section 9.02** shall relieve any Party from liability for any breach of any provision of this Agreement prior to such termination or arising out of fraud.

ARTICLE X MISCELLANEOUS

Section 10.01 Representative. A decision, act, consent or instruction of the Representative hereunder shall constitute a decision, act, consent or instruction of all Sellers and shall be final, binding and conclusive upon each such Seller, and Buyer, the Company and the Escrow Agent may rely upon any such decision, act, consent or instruction of the Representative as being the decision, act, consent or instruction of each and every such Seller.

Section 10.02 Expenses. Except as otherwise expressly provided in this Agreement (including **Section 2.04(a)**), all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement or the other Transaction Documents and the Transactions shall be paid by the Party incurring such costs and expenses (including all filing and other similar fees payable (including (i) filing the Notice of Material Modifications (and all related filings or submissions) and (ii) notifying CMS and DHCS of the change of control of the Company or any of its Subsidiaries that will result from the Transactions (and all related filings or submissions)), whether or not the Closing shall have occurred; provided, however, that Buyer and Company shall share financial responsibility (with Buyer paying 50% of such fees and the Company paying 50% of such fees) in connection with any filings or submissions under the HSR Act.

Section 10.03 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient; or (d) on the third (3rd) day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this **Section 10.03**):

If to the Representative or the Sellers:

CFHP Seller Representative LLC

[REDACTED]
[REDACTED]
[REDACTED]

E-mail: [REDACTED]

and

CFHP Seller Representative LLC

[REDACTED]
[REDACTED]
[REDACTED]

E-mail: [REDACTED]

and

CFHP Seller Representative LLC

[REDACTED]
[REDACTED]
[REDACTED]

E-mail: [REDACTED]

with a copy not constituting notice to:

Foley & Lardner LLP
555 S. Flower Street, Suite 3500
Los Angeles, California 90071
Attention: Richard Seiden
Facsimile: 213-486-0065
E-mail: rseiden@foley.com

If to the Company (prior to Closing):

Care 1st Health Plan
601 Potrero Grande Drive
Monterey Park, CA 91755
Attention: Anna Tran, Chief Executive Officer
Facsimile: 323-889-6270
E-mail: atran@care1st.com

with a copy not constituting notice
to:

Foley & Lardner LLP
555 S. Flower Street, Suite 3500
Los Angeles, California 90071
Attention: Richard Seiden
Facsimile: 213-486-0065
E-mail: rseiden@foley.com

If to CPS or Buyer:

Blue Shield of California
50 Beale Street
San Francisco, CA
Attention: Michael A. Murray, Senior Vice
President and Chief Financial Officer
Facsimile: 415-229-5056
E-mail: mick.murray@blueshieldca.com

with a copy not constituting notice
to:

Seth Jacobs, Esq.
Senior Vice President and General Counsel
Blue Shield of California, Law Department
50 Beale Street
San Francisco, CA 94105
Facsimile: 415-229-5056
E-mail: Seth.Jacobs@blueshieldca.com

with a copy not constituting notice
to:

Manatt, Phelps & Phillips, LLP
11355 W. Olympic Blvd.
Los Angeles, CA 90064
Attention: Gordon Bava, Esq.
Facsimile: 310-312-4224
E-mail: gbava@manatt.com

Section 10.04 Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the Transactions be consummated as originally contemplated to the greatest extent possible.

Section 10.05 Entire Agreement. This Agreement, the Confidentiality Agreement, and the other Transaction Documents constitute the sole and entire agreement of the Parties with respect to the subject matter contained in this Agreement, the Confidentiality Agreement and the other Transaction Documents, and supersede all prior and contemporaneous representations, warranties, understandings and agreements, both written and oral, with respect to such subject matters.

Section 10.06 Successors and Assigns.

(a) This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assigns. No Party may assign its rights or obligations hereunder without the prior written consent of the other Parties, which consent shall not be unreasonably withheld, conditioned or delayed, and any attempted assignment without such consent shall be void and without effect; provided, however, that after the Closing, the Buyer and CPS may assign their rights, benefits and obligations under and its interests in this Agreement to any of their respective Affiliates without the consent of any other Party hereto. No assignment shall relieve the assigning Party of any of its liabilities or obligations hereunder.

(b) In the event any Seller that is an entity proposes to (i) distribute in one or more transactions all or substantially all of its assets to its partners, members, shareholders, or beneficiaries; (ii) sell twenty percent (20%) or more of its ownership interests by any means, including purchase agreement, tender offer or issuance of primary interests; (iii) merge or consolidate with any other Person; (iv) sell fifty percent (50%) or more of its assets; (v) wind up and dissolve; or (vi) engage in any similar transactions regardless of form, it shall cause the recipients of any such distribution, the purchaser of any ownership interests or assets, the surviving Person in any merger or consolidation or the surviving or resulting Person in any other form of transaction to expressly assume such Seller's indemnification obligations to Buyer under this Agreement.

Section 10.07 No Third-party Beneficiaries. Except as provided in **Section 6.10** and **Article VIII**, this Agreement is for the sole benefit of the Parties and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 10.08 Amendment and Modification; Waiver. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by Buyer, the Company and the Representative. No waiver by any Party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the Party so waiving. No waiver by any Party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 10.09 Governing Law; Submission to Jurisdiction.

(a) This Agreement shall be governed by and construed in accordance with the internal laws of the State of California without giving effect to any choice or conflict of law provision or rule (whether of the State of California or any other jurisdiction) that would cause the application of Laws of any jurisdiction other than those of the State of California.

(b) EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT AND ANY OF THE TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY WHETHER IN LAW OR IN EQUITY, OR IN TORT OR OTHERWISE SHALL BE INSTITUTED IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA OR THE COURTS OF THE STATE OF CALIFORNIA IN EACH CASE LOCATED IN THE CITY OF LOS ANGELES, CALIFORNIA AND LOS ANGELES COUNTY, CALIFORNIA, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS (AS WELL AS TO THE JURISDICTION OF ALL COURTS TO WHICH AN APPEAL MAY BE TAKEN FROM SUCH COURTS) IN ANY SUCH SUIT, ACTION OR PROCEEDING. WITHOUT LIMITATION OF OTHER MEANS OF SERVICE, EACH OF THE PARTIES AGREE THAT SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT WITH RESPECT TO ANY CLAIM, ACTION, SUIT OR PROCEEDING MAY BE SERVED ON IT IN ACCORDANCE WITH THE NOTICE PROVISIONS SET FORTH IN **SECTION 10.03**. EACH OF THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR ANY PROCEEDING IN SUCH COURTS AND IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. EACH OF THE PARTIES AGREE THAT A FINAL JUDGMENT IN ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT SHALL BE CONCLUSIVE AND BINDING UPON EACH OF THE PARTIES AND MAY BE ENFORCED IN ANY OTHER COURTS TO WHOSE JURISDICTION ANY OF THE PARTIES ARE OR MAY BE SUBJECT, BY SUIT UPON SUCH JUDGMENT.

Section 10.10 Specific Performance. The Parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the Parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

Section 10.11 Conflicts; Certain Communications.

(a) Each of CPS and Buyer (on behalf of itself and its Subsidiaries and Affiliates (which, for this purpose, shall be deemed to include the Company and its Subsidiaries) and on behalf of each of the Buyer Indemnified Parties), the Company (on behalf of itself and its Subsidiaries and Affiliates), the Representative and each of the Sellers (on behalf of such Seller and such Seller's Affiliates) acknowledges and agrees that, notwithstanding any current or prior representation of the Company or any of its Subsidiaries, the Representative or any Seller or any of their respective Affiliates by Foley & Lardner LLP, Foley & Lardner LLP shall be allowed to represent the Company (and each of its Subsidiaries or Affiliates), the Representative or any Seller (and each of its Affiliates) in any matters or disputes adverse to CPS (or its Subsidiaries or Affiliates), Buyer (or its Subsidiaries or Affiliates), the Company (or its Subsidiaries or Affiliates), the Representative, any Seller (or its Affiliates) or any of the Buyer Indemnified Parties (or any of their respective Affiliates) that either are existing on the date hereof

or arise in the future (including any matters or disputes that relate to this Agreement, any of the Transaction Documents or the Transactions). Each of CPS and Buyer (on behalf of itself and its Subsidiaries and Affiliates (which, for this purpose, shall be deemed to include the Company and its Subsidiaries) and on behalf of each of the Buyer Indemnified Parties), the Company (on behalf of itself and its Subsidiaries and Affiliates), the Representative and each of the Sellers (on behalf of such Seller and such Seller's Affiliates) hereby (i) waives any claim that CPS (or its Subsidiaries or Affiliates), Buyer (or its Subsidiaries or Affiliates), the Company (or its Subsidiaries or Affiliates), the Representative, any Seller (or its Affiliates) or any of the Buyer Indemnified Parties (or any of their respective Affiliates) have or may have that Foley & Lardner LLP has a conflict of interest or is otherwise prohibited from engaging in such representation and (ii) acknowledges and agrees that, if a dispute arises after the Closing between or among CPS (or its Subsidiaries or Affiliates), Buyer (or its Subsidiaries or Affiliates), the Company (or its Subsidiaries or Affiliates), the Representative, any Seller (or its Affiliates) or any of the Buyer Indemnified Parties (or any of their respective Affiliates), then Foley & Lardner LLP may represent the Representative or any Seller or any Affiliate of any Seller in such dispute even though the interests of the Representative or such Seller or such Affiliate may be directly adverse to CPS (or its Subsidiaries or Affiliates), Buyer (or its Subsidiaries or Affiliates), the Company (or its Subsidiaries or Affiliates), the Representative, any other Seller (or its Affiliates) or any of the Buyer Indemnified Parties (or any of their respective Affiliates) and even though Foley & Lardner LLP may have represented CPS (or its Subsidiaries or Affiliates), Buyer (or its Subsidiaries or Affiliates), the Company (or its Subsidiaries or Affiliates), the Representative, any other Seller (or its Affiliates) or any of the Buyer Indemnified Parties (or any of their respective Affiliates) in a matter substantially related to such dispute or may be handling ongoing matters for CPS (or its Subsidiaries or Affiliates), Buyer (or its Subsidiaries or Affiliates), the Company (or its Subsidiaries or Affiliates), the Representative, any other Seller (or its Affiliates) or any of the Buyer Indemnified Parties (or any of their respective Affiliates).

(b) Each of CPS and Buyer (on behalf of itself and its Subsidiaries and Affiliates (which, for this purpose, shall be deemed to include the Company and its Subsidiaries) and on behalf of each of the Buyer Indemnified Parties), the Company (on behalf of itself and its Subsidiaries and Affiliates), the Representative and each of the Sellers (on behalf of such Seller and such Seller's Affiliates) acknowledges and agrees that, as to all communications between or among Foley & Lardner LLP and the Company (or its Subsidiaries, Affiliates, representatives, officers, directors, or board members), the Representative or any Seller (or its Affiliates) that relate in any way to this Agreement, any of the other Transaction Documents or the Transactions, the attorney-client privilege and the expectation of client confidence belongs to the Sellers, shall be controlled by the Sellers (or the Representative) and shall not pass to or be claimed by CPS (or its Subsidiaries or Affiliates), Buyer (or its Subsidiaries or Affiliates), the Company (or its Subsidiaries or Affiliates) or any of the Buyer Indemnified Parties (or any of their respective Affiliates). Notwithstanding the foregoing, if a dispute arises after the Closing between CPS, Buyer, the Company or any of its Subsidiaries, on the one hand, and a third party (other than any of the Sellers or any of their respective Affiliates or any of the Seller Indemnified Parties), on the other hand, then the Company or its Subsidiaries, to the extent applicable, may assert the attorney-client privilege to prevent disclosure to such third party of confidential communications by Foley & Lardner LLP; provided, however, that neither CPS, the Buyer, the Company nor any of its Subsidiaries may waive such privilege without the prior written consent of the Representative.

(c) Each of CPS and Buyer (on behalf of itself and its Subsidiaries and Affiliates (which, for this purpose, shall be deemed to include the Company and its Subsidiaries) and on behalf of each of the Buyer Indemnified Parties), the Company (on behalf of itself and its Subsidiaries and Affiliates), the Representative and each of the Sellers (on behalf of such Seller and such Seller's Affiliates) acknowledges and agrees that all communications involving the Representative, any Seller (or its Affiliates) or the Company (or its Subsidiaries or Affiliates) or any agent or representative of any of the foregoing with, and work product of, Foley & Lardner LLP as they relate to this Agreement, any of the other Transaction Documents or the Transactions, together with all written or other materials consisting of, containing, summarizing or embodying such communications and work product (collectively, the "**Protected Information**"), are the property of the Representative and, upon request of the Representative, shall be returned to the Representative at Buyer's expense. After the Closing, none of CPS (or its Subsidiaries or Affiliates), Buyer (or its Subsidiaries or Affiliates), the Company (or its Subsidiaries or Affiliates) or any of the Buyer Indemnified Parties (or any of their respective Affiliates) shall disclose any Protected Information to any Person or use any Protected Information for any purpose, including in connection with any claims under **Article VIII**.

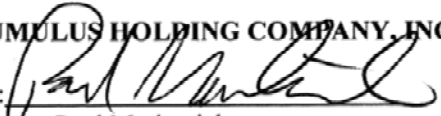
Section 10.12 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement. At the request of any Party, the other Party shall re-execute an original form of this Agreement and deliver it to the requesting Party. No Party shall raise the use of facsimile, e-mail or other means of electronic transmission or similar format to deliver a signature page as a defense to the formation of a Contract and each such Party forever waives any such defense.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

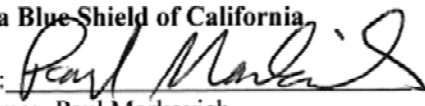
BUYER:

CUMULUS HOLDING COMPANY, INC.

By: 
Name: Paul Markovich
Title: President and Chief Executive Officer


CPS:

**CALIFORNIA PHYSICIANS' SERVICE
dba Blue Shield of California**

By: 
Name: Paul Markovich
Title: President and Chief Executive Officer

THE COMPANY:

CARE 1ST HEALTH PLAN

By: _____
Name: 
Title: Chief Executive Officer

THE REPRESENTATIVE:



By: _____


By: _____


By: _____


THE SELLERS:

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[Redacted]
[Redacted]

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By: _____
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Title: [Redacted]

[Redacted]

By: _____
Name: [Redacted]
Title: [Redacted]

[Redacted]

By: _____
Name: [Redacted]
Title: [Redacted]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

BUYER:

CUMULUS HOLDING COMPANY, INC.

By: _____
Name: Paul Markovich
Title: President and Chief Executive Officer

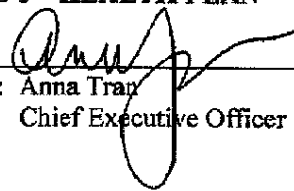
CPS:

**CALIFORNIA PHYSICIANS' SERVICE
dba Blue Shield of California**

By: _____
Name: Paul Markovich
Title: President and Chief Executive Officer

THE COMPANY:

CARE 1ST HEALTH PLAN

By: 
Name: Anna Tran
Title: Chief Executive Officer

THE REPRESENTATIVE:

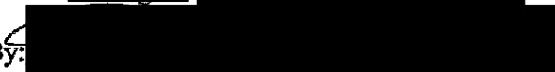
CFHP SELLER REPRESENTATIVE LLC

By: 

Name: _____ ds
Title: _____

By: 

Name: _____ yson
Title: _____

By: 

Name: _____ anam
Title: _____

THE SELLERS:

[Redacted]

BY: [Redacted]

By: [Redacted]
Name: [Redacted]
Title: [Redacted]

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Name: [Redacted]
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[Signature Page to Stock Purchase Agreement]

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Title: [Redacted]

[Redacted]

By: [Redacted] _____
Name: [Redacted]
Title: [Redacted]

[Redacted]

By: _____
Name: [Redacted]
Title: [Redacted]