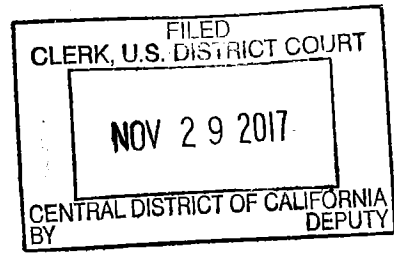


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UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA
June 2017 Grand Jury

UNITED STATES OF AMERICA,
Plaintiff,
v.
TIMOTHY JAMES HUNT and
GEORGE WILLIAM HAMMER,
Defendants.

SA CR NO. 17CR00742-JFW

I N D I C T M E N T

[18 U.S.C. § 371: Conspiracy;
18 U.S.C. §§ 1341, 1346: Mail
Fraud Involving Deprivation of
Honest Services; 18 U.S.C.
§§ 1343, 1346: Wire Fraud
Involving Deprivation of Honest
Services; 18 U.S.C. § 1952(a)(3):
Use of an Interstate Facility in
Aid of Unlawful Activity; 42
U.S.C. § 1320a-7b(b)(1)(A):
Soliciting and Receiving Illegal
Remunerations for Health Care
Referrals; 18 U.S.C. § 2: Aiding
and Abetting and Causing an Act to
be Done; 18 U.S.C. §§ 982(a)(7),
981(a)(1)(C) and 28 U.S.C.
§ 2461(c): Criminal Forfeiture]

The Grand Jury charges:

COUNT ONE

[18 U.S.C. § 371]

A. INTRODUCTORY ALLEGATIONS

At all times relevant to this Indictment:

1 1. Healthsmart Pacific Inc., doing business as Pacific
2 Hospital of Long Beach ("Pacific Hospital" or "PHLB"), was a hospital
3 located in Long Beach, California, specializing in surgeries,
4 particularly spinal and orthopedic surgeries. From in or around 1997
5 to in or around June 2004, Pacific Hospital was owned by majority
6 shareholder Michael D. Drobot ("Drobot") -- through his Michael D.
7 Drobot Revocable Trust (the "Revocable Trust") and HealthSmart
8 Management Services Organization, Inc. ("HealthSmart MSO"), an entity
9 affiliated with Drobot -- as well as a number of physicians. In or
10 around June 2004, Pacific Hospital repurchased shares of common stock
11 from the physicians, effectively leaving Drobot as the sole owner of
12 Pacific Hospital.

13 2. On or about September 27, 2005, unindicted coconspirator A
14 ("UCC-A") effectively became the sole shareholder of Pacific Hospital
15 through his ownership and control of the "[UCC-A] Family Trust,"
16 which, in turn, owned Abrazos Healthcare, Inc. ("Abrazos"), a
17 privately held corporation formed and incorporated in February 2005
18 for the purpose of purchasing shares of Pacific Hospital from Drobot,
19 through the Revocable Trust and HealthSmart MSO. UCC-A, through
20 Abrazos, also acquired other interests in affiliated entities
21 previously owned and/or controlled by Drobot.

22 3. On or about June 26, 2006, UCC-A provided Physician A
23 ("UCC-L"), an orthopedic surgeon, with 10% of the common stock of
24 Abrazos, which effectively gave UCC-L a 10% ownership interest in
25 Pacific Hospital.

26 4. On or about October 12, 2010, Drobot, through an affiliated
27 entity, purchased UCC-A's shares of Abrazos, which effectively
28 provided Drobot a 90% ownership interest in Pacific Hospital, while

1 UCC-L continued to maintain his 10% ownership interest until Pacific
2 Hospital was sold on or about October 8, 2013.

3 5. James Canedo ("Canedo") was Pacific Hospital's Chief
4 Financial Officer ("CFO"). Pacific Hospital Employee A ("UCC-B") was
5 Pacific Hospital's controller and would issue checks to vendors and
6 other payees at the direction of Drobot, Canedo, and other Pacific
7 Hospital employees.

8 6. Pacific Specialty Physician Management, Inc. ("PSPM") was a
9 corporation headquartered in Newport Beach, California, that provided
10 administrative and management services for physicians' offices.
11 Until approximately August 31, 2005, Drobot was the majority
12 shareholder of PSPM, with defendant GEORGE WILLIAM HAMMER ("defendant
13 HAMMER"), PSPM Executive A ("UCC-C"), Linda Martin ("Martin"), PSPM
14 Manager B ("UCC-D") all holding minority shareholder interests.
15 After approximately August 31, 2005, PSPM was 47% owned by UCC-A,
16 through the [UCC-A] Family Trust, 36% owned by Drobot, and 17% owned
17 by three individuals affiliated with PSPM. Effective January 1,
18 2008, defendant HAMMER was given a 50% ownership interest in PSPM --
19 while he held executive titles with Pacific Hospital -- and UCC-D
20 obtained the remaining 50% of PSPM. On or about August 1, 2010,
21 defendant HAMMER and UCC-D divested their shares in PSPM to Drobot,
22 through his Revocable Trust. PSPM CFO B ("UCC-E"), who defendant
23 HAMMER hired as a controller for PSPM and affiliated entities in
24 approximately 2001, served as PSPM's CFO starting in approximately
25 mid-2008.

26 7. One of the medical practices PSPM managed was Southwestern
27 Orthopedic Medical Corporation doing business as Downey Orthopedic
28 Medical Group ("Downey Ortho"). UCC-L, along with other physicians

1 affiliated with Downey Ortho (collectively, the "Downey Ortho-
2 Affiliated Physicians," or singularly, a "Downey Ortho-Affiliated
3 Physician"), maintained a medical practice at various Downey Ortho
4 clinic locations, including Downey, Thousand Oaks, and Sherman Oaks.
5 Martin was the office manager for Downey Ortho from the inception of
6 the practice until approximately 2004, and worked closely with UCC-D,
7 who was a Downey Ortho employee since approximately 1997. Through
8 PSPM's management of Downey Ortho, Martin and UCC-D became affiliated
9 with PSPM. UCC-C replaced Martin, in her role managing Downey Ortho,
10 when Martin left PSPM in approximately 2004. UCC-C left PSPM in
11 approximately 2009 and, at that time, UCC-D became the Chief
12 Operating Officer of PSPM, until PSPM stopped managing Downey Ortho
13 in 2013.

14 8. California Pharmacy Management LLC ("CPM") was a limited
15 liability company, headquartered in Newport Beach, California, that
16 operated and managed a pharmaceutical dispensing program in medical
17 clinics for physicians. Drobot and Michael R. Drobot Jr. ("Drobot
18 Jr.") owned and/or operated CPM. Defendant HAMMER also had an
19 ownership interest in CPM at various times prior to 2010.

20 9. Industrial Pharmacy Management LLC ("IPM") was a limited
21 liability company, headquartered in Newport Beach, California. IPM
22 operated and managed a pharmaceutical dispensing program in medical
23 clinics for physicians through the use of pharmaceutical management
24 agreements and claims purchase agreements. Drobot principally owned
25 and controlled IPM until approximately 2010, when Drobot Jr. assumed
26 ownership and control of IPM.

27 10. International Implants LLC ("I2") was a limited liability
28 company, headquartered in Newport Beach, California, that purchased

1 implantable medical hardware for use in spinal surgeries from
2 original manufacturers and sold them to hospitals, particularly
3 Pacific Hospital, starting around July 2008. At various times, I2
4 was effectively owned and/or controlled by Drobot, PSPM, and Attorney
5 A ("UCC-F"), who was the General Counsel and Chief Compliance Officer
6 of Pacific Hospital until approximately mid-2012. UCC-E was the CFO
7 of I2.

8 11. Pacific Hospital Employee B ("UCC-G") was a paralegal and
9 risk manager at Pacific Hospital, who worked closely with UCC-F.

10 12. Defendant TIMOTHY JAMES HUNT ("defendant HUNT") was an
11 orthopedic surgeon specializing in shoulder and knee arthroscopy,
12 who, starting in approximately June 2008, owned and operated Allied
13 Medical Group ("Allied Medical"), a medical practice with clinics in
14 Lawndale and Long Beach, California, specializing in orthopedic
15 medicine.

16 13. Physician B ("UCC-H") was an orthopedic surgeon who owned
17 and operated Intercommunity Medical Group ("Intercommunity Medical"),
18 a medical practice with clinic locations in Long Beach, Torrance,
19 Santa Ana, and Lawndale, California. Defendant HUNT practiced
20 medicine at Intercommunity Medical from 1998 to 2008.

21 14. Allied Medical Employee A ("UCC-I") was the office manager
22 for both Intercommunity Medical and Allied Medical. Allied Medical
23 Employee B ("UCC-J") worked for defendant HUNT at Allied Medical.

24 15. Precision Monitoring Resource, LLC ("PMR") generated
25 toxicology referrals, specifically including urine drug testing
26 ("UDT"), for laboratory testing at Pacific Hospital. Drobot owned
27 and/or operated PMR, along with Pacific Hospital Executive A ("UCC-
28 K") and UCC-E, who were the President and CFO of PMR, respectively.

1 16. Long Beach Prescription Pharmacy, Inc. ("LBPP") was
2 primarily a mail order pharmacy, with a retail pharmacy location
3 onsite at Pacific Hospital. Drobot, through his Revocable Trust,
4 owned LBPP at least until August 2010, when Drobot Jr. assumed
5 ownership and/or control of LBPP. Starting in approximately February
6 2011, Drobot and Drobot Jr. used LBPP as a vehicle for Pacific
7 Hospital to reimburse Drobot Jr. for kickback payments Drobot Jr.
8 provided to certain physicians, through IPM, to induce these
9 physicians to, among other things, refer or perform surgeries at
10 Pacific Hospital.

11 17. From at least 1998, through approximately in or around mid-
12 2008, defendant HAMMER performed various executive functions
13 supporting Pacific Hospital, CPM, IPM, PSPM, and related entities.
14 From in or around mid-2008, through at least September 2013,
15 defendant HAMMER performed various tax and accounting functions for
16 Pacific Hospital, CPM, IPM, PSPM, I2, PMR, LBPP, and other Drobot-
17 related entities (collectively, "Pacific Hospital and Affiliated
18 Entities") to facilitate the conspiracy described in paragraphs 32 to
19 36 below.

20 18. Paul Randall ("Randall") was a "marketer" for various
21 entities and individuals, who did business with Pacific Hospital and
22 defendant HUNT. Randall entered into a toxicology referral
23 arrangement with defendant HUNT, and later sold his toxicology
24 "marketing" business to PMR. In or around late 2011, PMR obtained
25 defendant HUNT's toxicology referrals for laboratory testing at
26 Pacific Hospital.

27 19. Philip Sobol ("Sobol") was an orthopedic surgeon who --
28 based on a kickback arrangement with PSPM under a sham option

1 contract, and later with IPM under a partially bogus pharmaceutical
2 claims purchase agreement -- referred surgery patients to UCC-L and
3 others for surgeries to be performed at Pacific Hospital.

4 California Workers' Compensation System ("CWCS")

5 20. The California Workers' Compensation System ("CWCS") was a
6 system created by California law to provide insurance covering
7 treatment of injury or illness suffered by individuals in the course
8 of their employment. Under the CWCS, employers were required to
9 purchase workers' compensation insurance policies from insurance
10 carriers to cover their employees. When an employee suffered a
11 covered injury or illness and received medical services, the medical
12 service provider submitted a claim for payment to the relevant
13 insurance carrier, which then paid the claim. Claims were submitted
14 to and paid by insurance carriers either by mail or electronically.
15 The CWCS was governed by various California laws and regulations.

16 21. The California State Compensation Insurance Fund ("SCIF")
17 was a non-profit insurance carrier, created by the California
18 Legislature, that provided workers' compensation insurance to
19 employees in California, including serving as the "insurer of last
20 resort" under the CWCS system for employers without any other
21 coverage.

22 DOL-OWCP

23 22. The Federal Employees' Compensation Act, Title 5, United
24 States Code, Sections 8101, et seq. ("FECA"), through the FECA
25 program, provided certain benefits to civilian employees of the
26 United States, for wage-loss disability due to a traumatic injury or
27 occupational disease sustained while working as a federal employee.
28 Benefits available to injured employees included rehabilitation,

1 medical, surgical, hospital, pharmaceutical, and supplies for
2 treatment of an injury.

3 23. The Office of Workers' Compensation Programs ("OWCP"), a
4 component of the Department of Labor ("DOL"), administered the FECA
5 program, which was a federal workers' compensation program focused on
6 return to work efforts.

7 Health Care Programs

8 24. The FECA program was a "Federal health care program," as
9 defined by 42 U.S.C. § 1320a-7b(f).

10 25. SCIF and other workers' compensation insurance carriers,
11 the FECA program, personal injury insurers, and other public and
12 private plans and contracts, were "health care benefit programs" (as
13 defined in 18 U.S.C. § 24(b)), that affected commerce.

14 Relevant California Laws Pertaining to Bribery and Kickbacks

15 26. California law, including but not limited to the California
16 Business and Professions Code, the California Insurance Code, and the
17 California Labor Code, prohibited the offering, delivering,
18 soliciting, or receiving of anything of value in return for referring
19 a patient for medical services.

20 27. California Business & Professions Code Section 650,
21 prohibited the offer, delivery, receipt, or acceptance by certain
22 licensees -- specifically including physicians -- of any commission
23 or other consideration, whether in the form of money or otherwise, as
24 compensation or inducement for referring patients, clients, or
25 customers to any person.

26 28. California Insurance Code Section 750(a) prohibited anyone
27 who engaged in the practice of processing, presenting, or negotiating
28 claims, including claims under policies of insurance, from offering,

1 delivering, receiving, or accepting any commission or other
2 consideration, whether in the form of money or otherwise, as
3 compensation or inducement to any person for the referral or
4 procurement of clients, cases, patients, or customers.

5 29. California Labor Code Section 3215 prohibited any person
6 from offering, delivering, receiving, or accepting any commission or
7 other consideration, whether in the form of money or otherwise, as
8 compensation or inducement for referring clients or patients to
9 perform or obtain services or benefits pursuant to the CWCS.

10 Fiduciary Duties and the Physician-Patient Relationship

11 30. A "fiduciary" obligation generally existed whenever one
12 person -- a client -- placed special trust and confidence in another
13 -- the fiduciary -- in reliance that the fiduciary would exercise his
14 or her discretion and expertise with the utmost honesty and
15 forthrightness in the interests of the client, such that the client
16 could relax the care and vigilance which she or he would ordinarily
17 exercise, and the fiduciary knowingly accepted that special trust and
18 confidence and thereafter undertook to act on behalf of the client
19 based on such reliance.

20 31. Physicians owed a fiduciary duty to their patients,
21 requiring physicians to act in the best interest of their patients,
22 and not for their own professional, pecuniary, or personal gain.
23 Physicians owed a duty of honest services to their patients for
24 decisions made relating to the medical care of those patients,
25 including the informed choice of whether to undergo surgery and other
26 medical procedures, as well as the selection of a provider and
27 facility for such surgeries and procedures. Patients' right to
28 honest services from physicians included the right not to have

1 physician-fiduciaries solicit or accept bribes and kickbacks
2 connected to the medical care of such patients.

3 B. OBJECTS OF THE CONSPIRACY

4 32. Beginning on an unknown date, but no later than 1998, and
5 continuing through at least in or around October 2013, in Orange and
6 Los Angeles Counties, within the Central District of California, and
7 elsewhere, Drobot, joined by defendant HAMMER from no later than 1998
8 to at least in or about September 2013, defendant HUNT from no later
9 than 2008 to at least in or about February 2013, Canedo from no later
10 than 1999 to at least October 2013, Drobot Jr. from no later than
11 2005 to at least in or about April 2013, Martin from 1998 to 2004 and
12 2010 to 2013, UCC-A from in or about August 2005 to at least in or
13 about October 2010, UCC-L from no later than 1998 to at least in or
14 about March 2013, UCC-D from no later than 1998 to at least in or
15 about March 2013, UCC-C from no later than 1998 to at least 2009,
16 UCC-E from no later than 2005 to at least in or about April 2013, and
17 others known and unknown to the Grand Jury at various times between
18 1998 and 2013, knowingly combined, conspired, and agreed to commit
19 the following offenses against the United States:

20 a. Honest services mail and wire fraud, in violation of
21 Title 18, United States Code, Sections 1341, 1343 and 1346;

22 b. Use of an interstate facility in aid of unlawful
23 activity, in violation of Title 18, United States Code, Section
24 1952(a);

25 c. Knowingly and willfully soliciting and receiving
26 remuneration in return for referring an individual to a person for
27 the furnishing or arranging for the furnishing of any item or service
28 for which payment may be made in whole or in part under a Federal

1 health care program, in violation of Title 42, United States Code,
2 Section 1320a-7b(b) (1) (A); and

3 d. Knowingly and willfully offering to pay and paying any
4 remuneration to any person to induce such person to refer an
5 individual to a person for the furnishing or arranging for the
6 furnishing of any item or service for which payment may be made
7 in whole or in part under a Federal health care program, in violation
8 of Title 42, United States Code, Section 1320a-7b(b) (2) (A).

9 C. MANNER AND MEANS OF THE CONSPIRACY

10 33. The objects of the conspiracy were to be carried out, and
11 were carried out, in the following ways, among others:

12 a. Drobot, defendant HAMMER, Canedo, Drobot Jr., Martin,
13 UCC-A, UCC-D, UCC-C, UCC-E, UCC-F, UCC-G, UCC-K, and other co-
14 conspirators working with Pacific Hospital and Affiliated Entities
15 would offer to pay and cause the payment of kickbacks to defendant
16 HUNT, UCC-L, and other surgeons (the "Pacific Induced Surgeons"),
17 chiropractors, personal injury attorneys, marketers, and others in
18 exchange for patient-related referrals to Pacific Hospital and
19 Affiliated Entities (collectively, the "Pacific Kickback Recipients")
20 for spinal surgeries, other types of surgeries, magnetic resonance
21 imaging ("MRI"), toxicology (including UDT), durable medical
22 equipment, and other services (the "Kickback Tainted Surgeries and
23 Services") that would be billed to health care benefit programs,
24 including the CWCS and the FECA program.

25 b. Influenced by the promise of kickbacks, Pacific
26 Kickback Recipients, including defendant HUNT and UCC-L, would cause
27 patients insured by various health care benefit programs to have
28

1 Kickback Tainted Surgeries and Services at Pacific Hospital and
2 Affiliated Entities.

3 c. The Kickback Tainted Surgeries and Services were
4 performed in connection with patients referred to Pacific Hospital
5 and Affiliated Entities. With respect to surgeries, Pacific Induced
6 Surgeons, including defendant HUNT and UCC-L, would perform these
7 surgeries and/or refer surgery patients to other Pacific Induced
8 Surgeons, or other surgeons, who would be obligated to perform such
9 surgeries at Pacific Hospital. For example, defendant HUNT and Sobol
10 would refer surgery patients to UCC-L, who would bring those surgery
11 referrals, among others, to Pacific Hospital.

12 d. Pacific Hospital and Affiliated Entities and Pacific
13 Induced Surgeons, including defendant HUNT and UCC-L, would submit
14 claims, by mail and electronically, to health care benefit programs
15 for payments related to the Kickback Tainted Surgeries and Services.

16 e. As defendants HAMMER and HUNT, and UCC-A, UCC-L,
17 Drobot, Drobot Jr., Canedo, and other co-conspirators knew and
18 intended, and as was reasonably foreseeable to them, in using the
19 mails, wire communications, and facilities in interstate commerce to:
20 (i) communicate about patient referrals and underlying kickback
21 arrangements, (ii) submit claims to health care benefit programs for
22 the Kickback Tainted Surgeries and Services, and (iii) obtain payment
23 from health care benefit programs for the Kickback Tainted Surgeries
24 and Services, Drobot, defendants HAMMER and HUNT, UCC-A, UCC-L, and
25 other co-conspirators would solicit, offer, receive, or pay, and/or
26 cause the solicitation, offering, receipt, and payment of kickbacks
27 that were material to patients and health care benefit programs.

28 f. Medical professionals who were responsible for

1 treating or otherwise rendering care to patients, including defendant
2 HUNT and UCC-L, owed a duty of honest services to those patients for
3 decisions made relating to medical care and treatment, including the
4 informed choice of whether to undergo surgery and other medical
5 procedures, as well as the choice of a treatment provider and
6 facility for such surgeries and procedures. That defendant HUNT and
7 UCC-L and other medical professionals responsible for the medical
8 care of these patients would solicit and receive kickbacks to induce
9 the referral of these patients and corresponding ancillary services
10 to Pacific Hospital and Affiliated Entities for Kickback Tainted
11 Surgeries and Services would be material to these patients. As a
12 result, the referral of patients to Pacific Hospital and Affiliated
13 Entities influenced by concealed kickbacks deprived these patients of
14 their right to honest services.

15 g. Using the mails and other facilities in interstate
16 commerce, Drobot, UCC-A, defendant HAMMER, Drobot Jr., Canedo,
17 Martin, UCC-D, UCC-C, UCC-E, UCC-F, UCC-K, and others would
18 communicate about and pay, and cause the payment of, kickbacks to
19 Pacific Kickback Recipients, including defendant HUNT and UCC-L, who
20 referred and caused the referral of Kickback Tainted Surgeries and
21 Services to Pacific Hospital and Affiliated Entities.

22 h. Health care benefit programs would pay Pacific
23 Hospital and Affiliated Entities and Pacific Induced Surgeons,
24 including defendant HUNT and UCC-L, for the Kickback Tainted
25 Surgeries and Services by mail and electronically.

26 i. To conceal and disguise the kickback payments from
27 health care benefit programs, patients, and law enforcement, Drobot,
28 defendant HAMMER, Drobot Jr., UCC-A, UCC-F, and other co-

1 conspirators, through Pacific Hospital and Affiliated Entities, would
2 enter into arrangements with Pacific Kickback Recipients, including
3 defendant HUNT and UCC-L. In many cases, these arrangements would be
4 reduced to written contracts, including, among others, collection
5 agreements, option agreements, research and development agreements,
6 lease and rental agreements, consulting agreements, marketing
7 agreements, management agreements, and pharmacy agreements.

8 j. The written agreements would not specify that one
9 purpose for the agreements would be to induce Pacific Kickback
10 Recipients to refer Kickback Tainted Surgeries and Services to
11 Pacific Hospital and Affiliated Entities; indeed, some of the
12 agreements would specifically state that referrals were not
13 contemplated or a basis for the agreement. Additionally, the value
14 or consideration discussed as part of these arrangements would, in
15 fact, generally not be provided or desired; rather, the compensation
16 would be paid, entirely or in part, depending on the arrangement, to
17 cause Pacific Kickback Recipients to refer Kickback Tainted Surgeries
18 and Services to Pacific Hospital and Affiliated Entities. Relatedly,
19 the written contracts would generally allow for remuneration to
20 Pacific Kickback Recipients far in excess of any reasonable fair
21 market value assessment of legitimate services or things of value
22 purportedly contracted for -- to the extent calculated without regard
23 to the value of the Kickback Tainted Surgeries and Services.

24 k. UCC-L would receive remuneration in exchange for
25 performing Kickback Tainted Surgeries and Services at Pacific
26 Hospital and Affiliated Entities. These illegal kickbacks would be
27 provided to UCC-L under the guise of various arrangements, both
28 written and oral, including, but not limited to, a management

1 agreement with PSPM; a medical directorship with Abrazos; payments
2 from Pacific Hospital for UDT referrals obtained through PMR;
3 payments representing purported consulting fees, bonuses, and
4 dividends; and other benefits of value provided to UCC-L.

5 1. Under the PSPM management agreement, starting in or
6 about 1998 and continuing until at least January 2013:

7 i. PSPM would manage the Downey Ortho medical
8 practice, including UCC-L and other Downey Ortho-Affiliated
9 Physicians, effectively providing for the management and
10 administration of day-to-day business operations. PSPM's management
11 and administrative services for Downey Ortho would include providing
12 equipment and furnishings; billing and collection services; and
13 payment of rent, administrative staff salaries, and other
14 miscellaneous expenses. In exchange for these management and
15 administrative services, PSPM would be entitled to a percentage of
16 Downey Ortho's monthly collections from patient billings, and, in
17 turn, an allocated share of the monthly collections for UCC-L and
18 other co-conspirators practicing at Downey Ortho.

19 ii. According to the terms of the management
20 agreement between PSPM and Downey Ortho, PSPM's management fee, which
21 was calculated as a specified percentage of Downey Ortho's monthly
22 collections, was purportedly: (1) "projected to be sufficient to
23 enable PSPM to recover all of the operating expenses of PSPM [and]
24 generate a reasonable return on investment[;]" and (2) calculated
25 "without taking into account . . . the volume or value of any
26 referrals of business from . . . [Downey Ortho] to PSPM (or its
27 affiliates)[.]" The PSPM management agreement further provided:
28

1 No amount paid hereunder is intended to be, nor shall it be
2 construed to be, an inducement or payment for the referral
3 of, or recommending referral of, patients by [Downey Ortho]
4 to PSPM (or its affiliates)[.] In addition, the management
5 fee charged hereunder does not include any discount,
6 rebate, kickback, or other reduction in charge, and the
7 management fee charged hereunder is not intended to be, nor
8 shall it be construed to be, an inducement or payment for
9 referral, or recommendation of referral, of patients by
10 [Downey Ortho] [to] PSPM (or its affiliates)[.]

11 iii. In reality, PSPM's management fee was understood
12 to be "upside down," such that the percentage of monthly collections
13 Downey Ortho paid to PSPM would cover only a fraction of PSPM's
14 expenses associated with the management of Downey Ortho. UCC-L and
15 other Downey Ortho-Affiliated Physicians understood that PSPM would
16 not retain a sufficient percentage of monthly collections to pay the
17 monthly operating expenses and other costs associated with managing
18 Downey Ortho, and that this recurring PSPM deficit would allow UCC-L
19 and other Downey Ortho-Affiliated Physicians to retain a larger share
20 of monthly Downey Ortho collections, based on the expectation and
21 understanding that UCC-L and other Downey Ortho-Affiliated Physicians
22 would refer Kickback Tainted Surgeries and Services to Pacific
23 Hospital and Affiliated Entities.

24 iv. Drobot, defendant HAMMER, Drobot Jr., Martin,
25 UCC-A, UCC-L, UCC-E, UCC-D, UCC-C, and other co-conspirators
26 understood that: (1) "PSPM [was] only in existence for [Pacific
27 Hospital's]" benefit; (2) Pacific Hospital was closely affiliated
28 with PSPM; and (3) based on the value of Kickback Tainted Surgeries

1 and Services that UCC-L and other Downey Ortho-Affiliated Physicians
2 referred to Pacific Hospital and Affiliated Entities, Pacific
3 Hospital and Affiliated Entities would make regular payments to PSPM
4 to subsidize the losses associated with PSPM's management of Downey
5 Ortho.

6 v. Starting in mid-2008, I2 would be used to
7 directly subsidize PSPM. Under California law, the cost of
8 implantable medical devices, hardware, and instrumentation for spinal
9 surgeries ("spinal hardware") was considered a "pass-through" cost
10 that could be billed at no more than \$250 over what a hospital paid
11 for the spinal hardware. To circumvent the pass-through
12 restrictions, Drobot, defendant HAMMER, UCC-A, UCC-L, and other co-
13 conspirators, would agree to form and use I2 to purchase spinal
14 hardware for surgeries, inflate the price of such hardware, and then
15 "sell" the hardware to Pacific Hospital at the inflated price. In
16 turn, Pacific Induced Surgeons, including UCC-L and other Downey
17 Ortho-Affiliated Physicians, would be instructed to use I2 spinal
18 hardware for surgeries performed at Pacific Hospital. PSPM would
19 effectively be made a shareholder of I2 to capture I2 sales proceeds,
20 which would be used to pay kickbacks for the Kickback Tainted
21 Surgeries and Services, including subsidies to PSPM.

22 vi. Stated differently, UCC-L and other Downey Ortho-
23 Affiliated Physicians understood and agreed to receive an indirect
24 kickback from Pacific Hospital, through PSPM, in exchange for
25 referring Kickback Tainted Surgeries and Services to Pacific Hospital
26 and Affiliated Entities and using I2.

27 m. Defendant HUNT would receive remuneration in exchange
28 for performing or referring Kickback Tainted Surgeries and Services.

1 These illegal kickbacks would be provided to defendant HUNT under the
2 guise of various proposed and implemented arrangements, including,
3 but not limited to, a medical office sublease with Pacific Hospital;
4 an option contract with PSPM; and a pharmacy agreement with IPM.

5 n. Drobot, defendant HAMMER, Drobot Jr., UCC-A, and other
6 co-conspirators would also cause Pacific Kickback Recipients to refer
7 Kickback Tainted Surgeries and Services to Pacific Induced Surgeons,
8 who were obligated to bring such surgeries and services to Pacific
9 Hospital and Affiliated Entities. For example, based on various
10 interrelated kickback arrangements, defendant HUNT and Sobol would
11 refer spinal surgeries to UCC-L and others, who would perform such
12 referred surgeries at Pacific Hospital.

13 o. Drobot, defendant HAMMER, Drobot Jr., Martin, UCC-A,
14 UCC-E, UCC-D, UCC-C, UCC-G, UCC-F, and others would maintain, review
15 and communicate about records of the number of Kickback Tainted
16 Surgeries and Services performed at Pacific Hospital and Affiliated
17 Entities due to referrals from Pacific Kickback Recipients, as well
18 as the amounts paid -- euphemistically referred to as "marketing
19 costs" -- to Pacific Kickback Recipients for those referrals. For
20 example, Drobot, defendant HAMMER, Canedo, UCC-A, UCC-E, and other
21 co-conspirators would calculate that the average kickback paid for a
22 spinal surgery obtained through PSPM's management of Downey Ortho
23 surgeons, including UCC-L, would be approximately \$22,000, and that
24 the cost of each spinal surgery obtained through the option contract
25 with defendant HUNT would be approximately \$10,000. These
26 calculations would also account for circumstances where more than one
27 kickback was paid for the same surgery; for example, when defendant
28

1 HUNT would refer a spinal surgery to UCC-L, both would receive
2 separate kickbacks.

3 p. Periodically, Drobot, defendant HAMMER, Drobot Jr.,
4 UCC-A, UCC-F, and other co-conspirators would modify and propose
5 modifying the written agreements used to disguise kickback payments
6 to Pacific Kickback Recipients, or the payments made under the guise
7 of such contracts, to roughly correspond with the volume of referrals
8 to Pacific Hospital from the referral source.

9 q. In an attempt to evade law enforcement and avoid
10 criminal liability for the foregoing illegal kickback arrangements:

11 i. Drobot, defendants HAMMER and HUNT, Drobot Jr.,
12 Martin, UCC-A, UCC-L, UCC-F, and others would obtain, cause others to
13 obtain, and provide and/or discuss with each other legal opinions and
14 updates from outside health care attorneys and other sources
15 concerning the legality of the kickback arrangements identified
16 above. In connection with soliciting legal advice from outside
17 health care attorneys, Drobot, defendants HAMMER and HUNT, Drobot
18 Jr., UCC-A, UCC-F, UCC-L, and other co-conspirators would
19 intentionally not disclose, and affirmatively conceal the fact, that
20 the intended purpose of the contractual arrangements, either entirely
21 or in part, would be to induce Pacific Kickback Recipients to refer
22 or perform Kickback Tainted Surgeries and Services at Pacific
23 Hospital and Affiliated Entities. Drobot, defendants HAMMER and
24 HUNT, and Martin, UCC-A, UCC-L, UCC-F, and other co-conspirators knew
25 and understood that any such arrangement specifically intended to
26 induce referrals would be unlawful, yet would continue to use
27 contractual arrangements to disguise remuneration provided for
28 Kickback Tainted Surgeries and Services; and

1 ii. Defendant HAMMER and other co-conspirators would
2 counsel, advise, prepare, and cause the presentation to the Internal
3 Revenue Service of corporate income tax returns for PSPM and
4 affiliated entities that would fraudulently characterize the
5 "termination of option fees" as deductible expenses, despite the fact
6 that defendant HAMMER and other co-conspirators knew and understood
7 that: (a) the option contracts with the Pacific Induced Surgeons,
8 including defendant HUNT and Sobol, were illegal kickback
9 arrangements; and (b) payments made in connection with an illegal
10 kickback arrangement would not be deductible expenses in corporate
11 income tax returns.

12 D. EFFECTS OF THE CONSPIRACY

13 34. Had health care benefit programs and patients known the
14 true facts regarding the payment of kickbacks for the referral of
15 Kickback Tainted Surgeries and Services performed at Pacific
16 Hospital: (a) the health care benefit programs would have subjected
17 the claims to additional review, would not have paid the claims,
18 and/or would have paid a lesser amount on the claims; and
19 (b) patients would have more closely scrutinized a surgery or
20 hospital service recommendation, would have sought second opinions
21 from physicians who did not have a financial conflict of interest,
22 would not have had the surgery or service performed, and/or would
23 have insisted on a different hospital facility.

24 35. From 1998 to in or around April 2013, Pacific Hospital
25 billed health care benefit programs at least approximately \$950
26 million in claims for the Kickback Tainted Surgeries and Services.
27 As a result of submitting these claims, Pacific Hospital was paid
28 approximately \$350 million. Between 1998 and April 2013, UCC-L

1 referred or performed Kickback Tainted Surgeries and Services
2 comprising approximately \$142 million of the total amount Pacific
3 Hospital billed to health care benefit programs, and for which
4 Pacific Hospital was paid approximately \$56 million. Drobot,
5 defendant HAMMER, Drobot Jr., UCC-A, and other co-conspirators,
6 through Pacific Hospital and Affiliated Entities, paid and caused to
7 be paid to UCC-L at least approximately \$14 million in connection
8 with Kickback Tainted Surgeries and Services at Pacific Hospital and
9 Affiliate Entities, a substantial portion of which represented
10 illegal kickbacks to UCC-L. Between 2008 and February 2013,
11 defendant HUNT referred or performed Kickback Tainted Surgeries and
12 Services accounting for at least approximately \$16 million of the
13 total amount Pacific Hospital billed to health care benefit programs,
14 for which Drobot, defendant HAMMER, Drobot Jr., UCC-A, and other co-
15 conspirators, through Pacific Hospital and Affiliated Entities,
16 caused to be paid to defendant HUNT, through Allied Medical,
17 approximately \$3.4 million, a substantial portion of which
18 represented illegal kickbacks to defendant HUNT.

19 E. OVERT ACTS

20 36. On or about the following dates, in furtherance of the
21 conspiracy and to accomplish the objects of the conspiracy, Drobot,
22 defendants HAMMER and HUNT, Canedo, Drobot Jr., Martin, UCC-A, UCC-L,
23 UCC-D, UCC-C, UCC-E, UCC-F, UCC-G, UCC-K, and other co-conspirators
24 known and unknown to the Grand Jury, committed, willfully caused
25 others to commit, and aided and abetted the commission of the
26 following overt acts, among others, within the Central District of
27 California and elsewhere:
28

1 Overt Act No. 1: On or about May 19, 2006, UCC-A, acting as
2 the sole Director of Abrazos, authorized Abrazos to issue additional
3 shares of common stock.

4 Overt Act No. 2: On or about June 28, 2006, UCC-A sent or
5 caused the sending of a letter via facsimile to East West Bank
6 notifying the bank that UCC-A wished to transfer to UCC-L 10% of the
7 shares in Abrazos, which were then owned by the [UCC-A] Family Trust,
8 along with a 10% interest in a promissory note owed to UCC-A
9 personally from Abrazos. The letter stated that "[t]he consideration
10 for these share would be [\$500,100] in cash, plus a promissory note
11 in the amount of [\$875,274]." In the context of explaining the
12 underlying purpose for the stock transfer, the letter stated:

13 Finally, [UCC-L], through his professional reputation and
14 contacts in the community, would drive increased business to
15 [Pacific Hospital]. Overall, this would be a financially
16 beneficial transaction for all parties involved.

17 Overt Act No. 3: On or about September 25, 2006, UCC-A and
18 UCC-L met for an Abrazos Board of Directors' Meeting at Pacific
19 Hospital. During the meeting, UCC-A and UCC-L elected the executive
20 officers of Abrazos as follows:

21 President and Corporate Secretary: UCC-A

22 Vice President: UCC-L

23 CFO: Defendant HAMMER

24 Overt Act No. 4: On or about September 25, 2006, Abrazos held
25 its annual meeting of shareholders, consisting of UCC-A and UCC-L, at
26 Pacific Hospital. During the meeting, according to the meeting
27 minutes, "it was agreed that [Abrazos] shall pay [UCC-L] a \$4,000 per
28 month stipend[.]"

1 Overt Act No. 5: On or about December 23, 2006, UCC-L emailed
2 Drobot Jr., copying Drobot, defendant HAMMER, UCC-A, UCC-C and
3 others, stating, in part, that UCC-L met with defendant HAMMER, UCC-
4 C, and Drobot two weeks earlier, and discussed, among other PSPM-
5 related topics listed in numerical order: "overhead",
6 "reimbursement", how doctors "could cut overhead," and how "PSPM was
7 going broke and the hospital was going broke[.]"

8 Overt Act No. 6: On or about March 24, 2007, in the context
9 of reporting on a communication with UCC-L, defendant HAMMER emailed
10 UCC-C, UCC-D, and UCC-E, with a subject "Dr. [UCC-L] etal," with
11 instructions for UCC-D to prepare "from this point forward a monthly
12 report on the total billings, collections and amount due from each
13 [PSPM-managed] physician."

14 Overt Act No. 7: On or about April 28, 2007, defendant HAMMER
15 emailed UCC-C and UCC-E, with a subject "PSPM Cash flow forecast,"
16 instructing them: "Do not show an[y] funds from either PHLB or CPM
17 and just provide [Drobot] and [UCC-A] with the negative cash needed
18 to operate the management company [PSPM] and we will let them
19 determine who will pay what - [but] please show all other expected
20 revenue sources."

21 Overt Act No. 8: On or about May 2, 2007, UCC-E emailed
22 defendant HAMMER, with the subject "Cash forecast," reporting on a
23 meeting UCC-E had with UCC-A and Drobot earlier in the day. UCC-E
24 wrote, in part:

25 At least he has a good understanding what our costs are
26 (for the nth time) and where our shortages lie. As of now
27 [UCC-A] and [Drobot] are in agreement to continue to
28 support the PSPM operation via PHLB and CPM.

1 Overt Act No. 9: On or about August 28, 2007, UCC-E responded
2 to an email from defendant HAMMER, with a subject "Sept/Oct/Nov Cash
3 Review," and copied UCC-C and UCC-D, writing, in part: "we are paying
4 [a Pacific Induced Surgeon] a 'management fee' so he will bring in
5 surgeries, if we are not getting the benefit of his collections can't
6 we least request a reimbursement for this fee from PHLB?"

7 Overt Act No. 10: On or about September 13, 2007, defendant
8 HAMMER emailed UCC-D, UCC-E, and UCC-C, with a subject "Letter to
9 Physicians," attaching a typewritten letter under Drobot's name to
10 various PSPM-managed physicians. Defendant HAMMER instructed UCC-D
11 and UCC-C to "go ahead and sign the letters for [Drobot] and include
12 them with the invoices we provide to each physician or hand deliver
13 them to the physicians." In part, the attached letters stated:

14 In our continuing effort to stabilize PSPM so we can stay in
15 business, we have initiated three activities. The first is
16 using VQ Ortho care as our exclusive vend[o]r for DME [durable
17 medical equipment]. We have been fairly successful in this
18 effort and need your continued cooperation in ordering from VQ.
19 The second is the use of Blackstone and Alpha-tech. These
20 contracts are now in place and PSPM will be getting credit for
21 this exclusivity. Both of these programs bring in needed cash
22 flow helping to stabilize our management company.

23 Overt Act No. 11: On October 18, 2007, UCC-A emailed UCC-F,
24 copying defendant HAMMER and UCC-L, with a subject "Another no
25 contract, no agreement retroactive bill," noting that there "was a
26 verbal understanding that PSPM would not pay rent in Newport," and
27 stating that if Drobot is now requesting rent, "PSPM should
28

1 immediately move to one of a number locations where the hospital or
2 PSPM has space that would have no or minimal cost to PSPM."

3 Overt Act No. 12: On or about October 22, 2007, UCC-A and UCC-
4 L met for an Abrazos Board of Directors' Meeting at Pacific Hospital.
5 During the meeting, according to the meeting minutes, UCC-A and UCC-L
6 elected executive officers for Abrazos as follows:

7 President and Corporate Secretary: UCC-A

8 Vice President: UCC-L

9 CFO: Defendant HAMMER

10 Overt Act No. 13: On or about October 22, 2007, Abrazos held
11 its annual meeting of shareholders, consisting of UCC-A and UCC-L, at
12 Pacific Hospital. During the meeting, according to the meeting
13 minutes, "[i]t was agreed that [Abrazos] shall increase the monthly
14 stipend to [UCC-L] to \$10,000."

15 Overt Act No. 14: On or about October 24, 2007, defendant
16 HAMMER emailed UCC-C and UCC-E, with a subject "PSPM Review,"
17 writing, in part, "I am assuming we are still about \$700,000 per
18 month negative without PHLB and CPM?"

19 Overt Act No. 15: On or about November 3, 2007, UCC-L
20 responded to UCC-A's October 18, 2007 email referenced in Overt Act
21 No. 11, copying Drobot Jr., and writing:

22 [UCC-A and Drobot Jr.,]

23 To recap our meeting yesterday we reviewed expenses and
24 conclude[d] to agree in princip[le] that:

25 1[.] I would pay an additional 20K per month to PSPM[;]

26 2[.] there would be an immediate formation of a spine co[mpany]
27 to provide all surgeons with fixation equipment for profit that
28

1 would go 50/50 [to] Drobot and PSPM to effectively lower MD
2 costs[;]

3 3[.] Out of Mr. Drobot[']s share[,] he would do something for me
4 for agreeing to this[;]

5 . . .

6 6[.] my name will go back on the Hunt purchase deal to be
7 examined next week[.]

8 Overt Act No. 16: On or about November 7, 2007, Drobot Jr.
9 emailed defendant HAMMER, inquiring why the accounting department
10 would "put financials together for contracts that don't exist?"
11 Defendant HAMMER responded, in part, "[j]ust so you know we do a lot
12 of accounting with no contracts. We pay bills with no contracts. We
13 pay advances with no provision for advances in contracts, we pay
14 advances with no contracts (each of these are sent to us from you or
15 [Drobot])."

16 Overt Act No. 17: On or about January 21, 2008, UCC-F emailed
17 Drobot, UCC-C, and UCC-D, and copied UCC-A, with the subject
18 "Implants and Blackstone," writing, "This should be circulated to the
19 surgeons." The email included an article titled "Surgeon's Guilty
20 Plea Could Shed New Light on Medical Kickbacks," dated January 21,
21 2008, which reported on a surgeon who pleaded guilty to receiving
22 kickbacks "for using [] spinal-implant devices[, which] could lead
23 to similar charges against other doctors across several states[.]"
24 The article highlighted:

25 Just how big is the problem of medical kickbacks in the U.S.?

26 It's a question that may be of particular financial interest in
27 states such as California, which have "pass-through" provisions
28

1 that allow hospitals to bill the full cost -- plus an
2 administrative mark-up -- for surgical implants.

3 The article highlighted that the relevant allegations arose from
4 kickback payments disguised under a "bogus consulting contract"
5 between Blackstone (a spinal equipment manufacturer) and the pleading
6 doctor. The article also quoted a source stating that "California
7 has a long history of doctors providing unnecessary medical treatment
8 that just destroyed people's lives."

9 Overt Act No. 18: On January 24, 2008, Drobot Jr. emailed
10 Drobot, writing, in part, "you have been asking what certain
11 physician accounts are 'really' worth to us" and providing the
12 following calculations with respect to defendant HUNT:

13 Dr. Hunt (accrual) = \$103,000 - \$150,000 guarantee = -\$47,000

14 Dr. Hunt (cash) = \$71,000 profit per month (oral and topicals) -
15 \$150,000 guarantee = -\$79,000 per month

16 Overt Act No. 19: In or about February 2008, defendant HAMMER
17 communicated with representatives of VQ Ortho, which provided durable
18 medical equipment ("DME") to PSPM and others, regarding the legality
19 of an arrangement involving PSPM, VQ Ortho, and certain Pacific
20 Kickback Recipients. On February 13, 2008, a VQ Ortho representative
21 ("VQ Ortho Rep A") emailed defendant HAMMER the following:

22 Attached is the opinion letter from our attorney [("Attorney
23 B")] regarding creating a separate agreement with VQ [Ortho] and
24 PSPM to provide product[s] for your non-managed customers. As
25 you will read, our attorney is not recommending such a venture.
26 Please feel free to run it past your corporate counsel as well.
27 With that said, [VQ Ortho Executive A] and I are eager to
28 discuss some other ways to "skin this cat." Perhaps an option

1 is to do an agreement with [CPM]. Looking forward to figuring
2 this out on Thursday. See you then.

3 The attached letter from Attorney B, addressed to VQ Ortho Executive
4 A, provided the following legal advice:

5 Recently, we discussed the ramifications of engaging [PSPM] to
6 provide additional administrative services for [VQ Ortho].
7 Specifically, we discussed the idea that [VQ Ortho] engage PSPM
8 to perform duties similar to those it now performs under the
9 Service Coordination Agreement between [VQ Ortho] and PSPM,
10 dated June 1, 2007 ("Existing Service Coordination Agreement").
11 However, instead of performing these duties with respect to
12 referrals from PSPM-managed physicians, PSPM would perform these
13 duties in connection with referrals from physicians who are not
14 managed by PSPM ("Expanded Services").

15 [Based on the assumption that the services involved are
16 limited to patients for whom reimbursement may be sought only
17 under the California workers' compensation system], . . . the
18 legal analysis of the Expanded Services should focus on the
19 California anti-kickback prohibitions. The Existing Service
20 Coordination Agreement provides that PSPM is entitled to 15% of
21 net commissionable revenue as compensation for its services. I
22 am assuming that any compensation that would be paid to PSPM for
23 Expanded Services also would be a percentage of net
24 commissionable revenue. Since this compensation varies (or
25 would vary) with volume and is not fixed in advance, the
26 Existing Service Coordination Agreement does not fit within a
27 safe harbor and any agreement with respect to the Expanded
28 Services likewise would not fit within a safe harbor.

1 Unlike the self-referral prohibitions, however, a
2 relationship or transaction that does not fit within an anti-
3 kickback safe harbor may still be legal. Such a relationship or
4 transaction would be legal if the compensation paid is fair
5 market value for the services rendered and as long as one
6 purpose of the relationship or transaction is not to influence
7 referrals.

8 . . .

9 [Assuming the payments involved represent fair market value,]
10 [t]his leaves the question of whether or not one purpose of the
11 relationship could be construed as an attempt by VQ Ortho to
12 influence referrals. Note that the anti-kickback statute is an
13 intent-based statute and, therefore, open to subjective
14 interpretation. Absent complying with a safe harbor, there can
15 be no assurance that a regulator or court wouldn't conclude that
16 one purpose of the relationship was to influence referrals. The
17 fact that PSPM may not be able to control referrals does not
18 negate this argument entirely (a party can influence referrals
19 without controlling them). . . .

20 In a concluding footnote, Attorney B wrote:

21 I arrive at this same conclusion even if the compensation
22 structure for the Expanded Services were changed from a
23 percentage of net commissionable revenue to a flat fee.
24 Although, in isolation, a flat fee raises substantially less
25 concerns, in this case, any such payments would not be in
26 isolation. They would be viewed in the context of the variable
27 compensation structure under the Existing Service Coordination
28 Agreement. . . . We briefly discussed a scenario in which PSPM

1 would provide marketing services for VQ Ortho for a fixed fee as
2 well. This would raise even bigger anti-kickback concerns for
3 all of the reasons described above and the added reason that it
4 would involve marketing services. Delegating marketing services
5 to another entity that has direct relationships with referral
6 sources would be a very risky proposition and automatically
7 would be suspect under anti-kickback laws.

8 Overt Act No. 20: On or about February 27, 2008, after
9 receiving the opinion letter from Attorney B, identified in the
10 preceding Overt Act, defendant HAMMER emailed VQ Ortho Rep A,
11 writing, "[W]hat is happening with this agreement? [UCC-F] talked to
12 Attorney B and I have heard nothing since. Please give me a call and
13 let me know where we are."

14 Overt Act No. 21: On or about February 28, 2008, VQ Ortho Rep
15 A responded to defendant HAMMER's email identified in the preceding
16 Overt Act, as follows:

17 [Attorney B] spoke to [VQ Ortho Executive A] yesterday and I
18 spoke to [VQ Ortho Executive A] for the first time today.
19 Anyway, I am meeting with [VQ Ortho Executive A] tomorrow to
20 discuss the [Attorney B]/[UCC-F] talk. You will hear from me
21 tomorrow afternoon.

22 Overt Act No. 22: On or about March 13, 2008, UCC-C emailed
23 Drobot and UCC-A, with a subject "Hunt surgeries," writing: "Here are
24 the surgeries from Hunt performed by [UCC-L] and [another Downey
25 Ortho-Affiliated Physician]. I will forward additional information
26 regarding Sobol . . . and other referral sources shortly." UCC-C
27 attached a spreadsheet to the email listing surgeries referred from
28 defendant HUNT to UCC-L.

1 Overt Act No. 23: On or about March 21, 2008, UCC-A emailed
2 Drobot regarding CPM and IPM, writing, in part:

3 Pacific Hospital and CPM/IPM are in a marketing partnership to
4 support PSPM. Each derives benefit from this relationship[,]
5 and each should pay a fair contribution. The current reverse
6 marketing arrangement does not appear fair[,] and[,] in fact[,]
7 has prompted the doctors and myself to seek competition from
8 another pharmacy partner.

9 Overt Act No. 24: On or about March 21, 2008, UCC-L, who was
10 either blind copied or otherwise forwarded the email identified in
11 the preceding Overt Act, responded as follows:

12 Not that I am in the loop but it seems that PSPM support needs
13 to continue for all MDs managed by PSPM and utilizing IPM.

14 The 50/50 split was always with the understanding that some
15 pharmacy \$\$\$ went to support PSPM.

16 All MD parties utilizing PHLB for Marketing fee should be
17 supported by the PHLB funds[,] however all [Downey Ortho-
18 Affiliated Physicians] should be supported by both as IPM does
19 make \$\$\$.

20 This should be an easily determined number from both groups[.]
21 I might suggest of the 50% to IPM that half be put in PSPM as
22 most competitive [pharmacy] arrangements are 75/25[.]

23 Overt Act No. 25: Between on or about March 24, 2008 and on or
24 about April 2, 2008, UCC-L and Drobot Jr., copying UCC-A and others,
25 emailed each other about the then-current "Hunt/[UCC-L] Pharmacy
26 arrangement." In part, on or about March 24, 2008, Drobot Jr.
27 proposed that UCC-L "prescribe out of [defendant HUNT's] cabinet when
28 at Santa Ana."

1 Overt Act No. 26: On or about March 24, 2008, UCC-L responded
2 to the email identified in the preceding Overt Act, as follows:

3 [W]ith the intolerable deal I have with [UCC-I]/Paul Randall
4 practice, I will NEVER rx from them. I only agreed to the
5 original deal to help PHLB [/] your dad and that was 4 yrs ago.
6 . . . We may be going for another Company or a Better deal."

7 Overt Act No. 27: On or about March 27, 2008, as part of the
8 same email chain identified in the two preceding Overt Acts, UCC-L
9 wrote: "[A]lso is not PSPM = PHLB? Which is [UCC-A] and your dad
10 [Drobot]? Help me as there are gaps."

11 Overt Act No. 28: On or about March 28, 2008, as part of the
12 same email chain identified in the three preceding Overt Acts, Drobot
13 Jr. responded to UCC-L, in part:

14 Yes, my understanding is that PSPM is only in existence for
15 PHLB. PSPM runs at a big loss, but this loss pails in
16 comparison to the profit it brings PHLB. PHLB, nor PSPM do IPM
17 any good. In fact they both leach off IPM and cost us money.
18 We are not interested in helping PSPM or PHLB more, we are in
19 the process of helping them less. My efforts to reach out to
20 you and offer "you" more are just that. IPM can offer you more,
21 but we will be removing our assistance to PSPM/PHLB.

22 Overt Act No. 29: On or about April 1, 2008, as part of the
23 same email chain identified in the preceding four Overt Acts, Drobot
24 Jr. further responded, in part:

25 My father asked me to send you this email showing just a small
26 example of how IPM helps you and the other PSPM physicians. I
27 will work with [UCC-C] and create a summary with actual data and
28 send it to you shortly.

1 1. Read email below - 7 spine referrals sent to you and [a
2 Downey Ortho-Affiliated Physician] in 1 week

3 2. Sobol - I'm told up to 30 spine referrals a month are
4 going to you from Sobol's practices. 35 non-spine surgeries are
5 performed at PHLB by Sobol, general cases to [a Downey Ortho-
6 Affiliated Physician], hands are going to [a Downey Ortho-
7 Affiliated Physician] and feet are going to [a Downey Ortho-
8 Affiliated Physician], tons of pain, and MRIs to PHLB machine.

9 . . .

10 Overt Act No. 30: On or about April 1, 2008, as part of the
11 same email chain identified in the preceding five Overt Acts, UCC-L
12 responded:

13 At present my practice - a PSPM practice - is totally dependent
14 upon, but has also incredibly enriched PSPM. It has also really
15 incredibly enriched CPM-IPM. With all the changes going forward
16 my practice can no longer exist on a one way street of no credit
17 for a bad pharm deal. . . . To boot instead of [defendant
18 HAMMER] you have your college mate doing the numbers - what
19 would you do???

20 Overt Act No. 31: On or about April 2, 2008, as part of the
21 same email chain identified in the preceding six Overt Acts, Drobot
22 Jr. responded, in part:

23 You have a 70/30 with IPM right now. What would I do [UCC-L]?
24 Let's see. Leave IPM and my 70/30, lose 40 spine referrals a
25 month, lose the assistance that IPM pays for in regards to your
26 offices (techs, etc!!!). Start with someone else, with no track
27 record of delivering (only a nice promise), receive no check
28 from IPM for at least 5 months because the account is \$122K in

1 debt, pay \$70,000 a month in oral meds, \$65,000 a month in
2 topicals, start paying for your own employees (\$22,000 a month),
3 and wait to see if and when the insurance companies pay?

4 Overt Act No. 32: On June 9, 2008, UCC-L emailed UCC-A,
5 writing, in part:

6 Legal opinion letters say there is an argument that the concept
7 is legal. Also in the letter it says IF [I2] can list and
8 document services[,] there can be some explanation for the mark-
9 up, which is why Blackstone is still waiting so they can pay.
10 Apparently that has never been done. My fear is that an
11 argument that it is legal simply grants us the right to pay \$\$\$\$
12 in legal fees.

13 Overt Act No. 33: On June 28, 2008, UCC-L emailed UCC-A,
14 instructing UCC-A to "review with him [referring to an attorney from
15 a spinal implant distributor - Attorney C] the non[-]acceptable and
16 legal ways to have a Hospital, a physician management co[mpany,] and
17 an equipment distribution co[mpany,] and how they could work
18 together. Special note to \$\$\$ flow and who can own what and who can
19 use what."

20 Overt Act No. 34: On or about July 9, 2008, UCC-L emailed UCC-
21 A, writing, in part:

22 As you and Mike are aware the new proposed [I2] has several
23 areas of mandated compliance. As [Attorney C] outlined there
24 are significant mandates. I would consider use of Alphatec
25 if[:]

26 1. [Attorney C] clearly explains, in writing, that as a small
27 owner of PHLB I am not violating anything[;] and
28

1 2. There is written documentation of Separation of ownership of
2 all areas[:] [I2], PSPM, PHLB[;]

3 3. We all meet to discuss[.]

4 Overt Act No. 35: On September 20, 2008, UCC-A replied to an
5 email from UCC-L, and wrote, in part: "Regarding - no \$\$\$ in pharma
6 - reminds me of the time someone told me the government was here to
7 help me! If after CPM closed [Drobot] was supposed to pass through
8 his share of the IPM profit to PSPM for your continued loyalty, it
9 appears some money is due PSPM."

10 Overt Act No. 36: On September 8, 2008, a Pacific Hospital
11 employee in the Accounting Department emailed UCC-K, UCC-B, UCC-G and
12 others, writing that the account department received two checks from
13 UCC-A, via interoffice mail. The checks were from defendant HUNT and
14 written out to Pacific Hospital and appeared to be rent checks. UCC-
15 G forwarded the email to UCC-F, asking if UCC-F was aware of any
16 existing rent contract from defendant HUNT. UCC-F responded by
17 attaching a medical office sublease between Pacific Hospital and
18 defendant HUNT, internally dated June 23, 2008, which provided for a
19 sublease, commencing on June 26, 2008, of the premises located at
20 "4237 Long Beach Boulevard" in Long Beach, California, for \$1,000 per
21 month.

22 Overt Act No. 37: On an unknown date, defendant HUNT executed
23 a medical office sublease between Pacific Hospital and defendant
24 HUNT, internally dated June 23, 2008, which provided for a sublease,
25 commencing on June 26, 2008, of the premises located at "4237 Long
26 Beach Boulevard" in Long Beach, California, for \$1,000 per month.
27
28

1 Overt Act No. 38: On or about October 10, 2008, UCC-L
2 forwarded to UCC-A a legal opinion letter concerning a competitor to
3 I2 selling spinal hardware to various hospitals.

4 Overt Act No. 39: On or about October 10, 2008, UCC-A
5 forwarded the opinion letter referenced in the preceding Overt Act to
6 UCC-F and defendant HAMMER, writing, "This is our competition. What
7 do you think of the agreement?"

8 Overt Act No. 40: As part of the same email chain identified
9 in the preceding two Overt Acts, on or about October 10, 2008, UCC-F
10 responded to UCC-A and defendant HAMMER, writing, in part, the
11 following:

12 We were strongly advised not to involve physicians in the
13 implant business. I have it in writing from Davis Wright
14 Tremaine, and there has been some investigation into the Newport
15 Beach company that is physician owned. . . . Anyone who gets
16 involved in this is running a high risk. The so-called legal
17 opinion is wishful thinking. The tip-off is that they advise
18 not being involved with any Medicare or Medi-Cal surgeries.
19 First, it is usually impossible to avoid Medicare orthopedic
20 surgery unless you are a [UCC-L] [.]. . . Second, saying that
21 Medicare should be avoided is really saying the scheme is
22 illegal under Medicare. If it is illegal under Medicare, then
23 it is illegal under California law because the Attorney General
24 has said, in published AG Opinions it will rely upon Medicare
25 anti-fraud rules in reviewing procedures done in [California].
26 Third, Medicare has what is called the "one purpose test." This
27 is a terrible rule that says if one purpose of the scheme is to
28 induce referrals, then even a valid scheme is illegal. Fourth,

1 . . . there are active investigations of physician involvement
2 in various supply schemes, so this is a high risk adventure.
3 Fifth, while the letter takes great pains to say there is no
4 kickback, this scheme will pressure hospitals to use the new
5 company, or lose the surgery to another hospital that will use
6 the implants. Finally, as you know there are financial
7 disclosure and other rules under state law, and it is possible a
8 physician doing a surgery would have to disclose to patients
9 they are using implants in which they have a financial interest.
10 If not, and payors find out what is going on, they may stop
11 paying.

12 Overt Act No. 41: As part of the same email chain identified
13 in the preceding three Overt Acts, on or about October 10, 2008, UCC-
14 A replied to UCC-F and defendant HAMMER, writing, in part, "Thanks
15 for your strong arguments to avoid this jailbait contract. I'll call
16 [UCC-L] tonight."

17 Overt Act No. 42: On or about October 20, 2008, UCC-A and UCC-
18 L met for an Abrazos Shareholders' Meeting. During the meeting,
19 according to the meeting minutes, UCC-A and UCC-L "agreed that
20 [Abrazos] shall continue the monthly stipend to [UCC-L] in the amount
21 of \$10,000."

22 Overt Act No. 43: On or about December 22, 2008, in connection
23 with PSPM taking over the management of a San Diego clinic where UCC-
24 L saw patients with other physicians, UCC-C emailed Drobot, UCC-A,
25 and UCC-D with a question about the scope of collections PSPM would
26 keep (i.e., collections preceding the management deal or only going
27 forward collections).

1 Overt Act No. 44: As part of the same email chain identified
2 in the previous Overt Act, on or about December 24, 2008, Drobot
3 responded to UCC-C, copying UCC-A and UCC-D, advising that "PSPM
4 keeps all collections going forward."

5 Overt Act No. 45: As part of the same email chain identified
6 in the preceding two Overt Acts, on or about December 26, 2008, UCC-A
7 replied to Drobot, UCC-C, and UCC-D, adding UCC-L to the email, and
8 asking "what surgeries has Pacific received from the San Diego
9 clinic" and "What have we spent on the SD clinic . . . up to the hand
10 off date?" UCC-A also asked: "[UCC-D]--any estimate as to number of
11 spines that will be generated out of the San Diego clinic in the next
12 3 months?"

13 Overt Act No. 46: On or about January 14, 2009, defendant
14 HAMMER responded to an outside accountant who emailed defendant
15 HAMMER (with a subject "[UCC-L]," initially writing "just want to
16 confirm the numbers you left on my voicemail.") In his response,
17 defendant HAMMER wrote: "please don't forget the Medical Directorship
18 [UCC-L] receives. It is \$10,000 per month and thus \$120,000 per
19 year. This comes from Abrazos."

20 Overt Act No. 47: On or about January 29, 2009, UCC-I emailed
21 UCC-F, with the subject "Option Agreement," writing, in part:

22 I dropped the signed Option Agreement off at PHLB yesterday. . .
23 any idea when we will get the first check? I have the lease for
24 Long Beach to sign and the Landlord wants a pretty substantial
25 check to accompany the lease. So as you can imagine, I need the
26 Option check in order to make it all happen."

27 Overt Act No. 48: On or about January 29, 2009, as part of
28 the same email chain identified in the preceding Overt Act, UCC-F

1 responded that he would "get ahold of [UCC-A] and [defendant HAMMER]
2 and remind them."

3 Overt Act No. 49: The next day, on or about January 30, 2009,
4 as part of the same email chain identified in the preceding two Overt
5 Acts, UCC-I emailed UCC-F again, inquiring:

6 Did you get a moment to speak with [defendant HAMMER] and [UCC-
7 A] regarding the Option payment . . . sorry to bug you about it,
8 but [defendant HUNT] keeps asking me.

9 Overt Act No. 50: On or about January 30, 2009, as part of the
10 same email chain identified in the preceding three Overt Acts,
11 UCC-F forwarded UCC-I's message to defendant HAMMER and UCC-A.

12 Overt Act No. 51: On or about January 30, 2009, as part of
13 the same email chain identified in the preceding four Overt Acts,
14 defendant HAMMER responded: "I did tell [UCC-A] when he gave me the
15 agreement that this would be coming real soon and here it is. I will
16 follow up with him as well."

17 Overt Act No. 52: On February 5, 2009, UCC-A emailed UCC-I,
18 with the subject "pharmacy numbers," reminding UCC-I to send the
19 pharmacy numbers. UCC-I responded:

20 I have requested the #'s for the meds ordered but have not
21 received them from Future Meds as of yet. I have some of those
22 numbers but not all the months . . . below are the numbers for
23 collections (our share)[.]

24 Overt Act No. 53: On February 18, 2009, Canedo emailed Drobot
25 and UCC-C, writing, "[w]e need more information as to which cases
26 from [defendant HUNT], Phil Sobol, and the San Diego office apply to
27 the cases that [UCC-L] should use [I2]." Canedo then cited an
28 example of a specific surgery patient for whom scheduling information

1 came from Downey Ortho, with a referral source listed as Sobol, and
2 asked: "Would this have been one of the cases we would expect to have
3 used I2?" UCC-C asked UCC-D if he wanted to check with another
4 individual for a response, who then forwarded the email to UCC-L.

5 Overt Act No. 54: On or about February 18, 2009, UCC-L
6 responded to the email identified in the previous Overt Act, as
7 follows:

8 "[A]s you all can see there is clear coercion [sic] (or is it
9 coercion[()],) as Hospital is rewarding Hunt practice for 3
10 spines[.] I will use my choice after the 3rd[.] [A]s for
11 Sobol[,] whoever is on the schedule was explained [I]nnovasis
12 [would be used, so] - I will not change mid stream - or we
13 should hold re[garding] see[ing] the patient[,] re-explain[,]
14 and reschedule[.]

15 Overt Act No. 55: On February 22, 2009, UCC-L emailed UCC-C,
16 defendant HAMMER, and Drobot, stating, in part, "everyone should be
17 careful about dictating spine instrument use as DOJ has 200 agents in
18 Vegas to separate equip[ment] companies from docs[.]" UCC-L also
19 complained about having a potential "non [email] address" for Drobot,
20 so defendant HAMMER independently forwarded UCC-L's email to Drobot.

21 Overt Act No. 56: On February 26, 2009, UCC-I called UCC-K
22 regarding a transition with respect to defendant HUNT's sublease
23 agreement with Pacific Hospital (advising that defendant HUNT would
24 be taking over the lease directly). After receiving this message,
25 UCC-K instructed UCC-B to remove defendant HUNT's lease obligation
26 from Pacific Hospital's accounts payable system.

27 Overt Act No. 57: Between March 30, 2009 and April 1, 2009,
28 Drobot Jr. and UCC-L emailed about a pharmacy deal with IPM, with a

1 subject "IPM proposal." As part of the email thread, Drobot Jr.
2 asked UCC-L to "explain how the change takes care of PSPM needs?"
3 UCC-L responded that PSPM "will take a % of the pharm[acy]
4 collections to defray overhead as CPM used to do."

5 Overt Act No. 58: On March 31, 2009, a Downey Ortho office
6 administrator emailed UCC-C with scheduled surgery statistics for
7 defendant HUNT and Sobol for March and April 2009. UCC-C forwarded
8 the email to UCC-A with her comments. UCC-A then forwarded the email
9 chain to Drobot, writing, "[w]e need to discuss this with Sobol -
10 March-0 and April-0 for spine surgery[.] Hard to justify the
11 marketing dollars we are spending[.]"

12 Overt Act No. 59: On April 7, 2009, UCC-L emailed UCC-A, UCC-
13 C, and UCC-D, writing, in part:

14 Friends, As you are all aware I have been directed to use
15 Alphatech for certain cases[.] I have agreed, however due to
16 financial constraints of PHLB[,] Innovasis has over 120 days and
17 well over 100K in owings[.] As a result tomorrows case - a
18 [personal injury] neck will be done by Alphatech[.] [But] I
19 will do one of [San Diego], [defendant HUNT], or Sobol cases of
20 c-spine in the future for Alphatech. I did not email [Drobot]
21 as his email . . . always defaults (yes I can take a hint).

22 Overt Act No. 60: On or about April 8, 2009, as part of the
23 same email chain identified in the preceding Overt Act, Drobot was
24 forwarded UCC-L's email and responded to UCC-L, copying UCC-A, UCC-C,
25 and UCC-D.

26 Overt Act No. 61: On or about April 9, 2009, as part of the
27 email chain identified in the preceding two Overt Acts, UCC-L replied
28

1 to Drobot only with the following: "Mike[,] Hope this goes thru[.]
2 [D]id 6 spines today. [O]ne I2 cervical. Look forward to Italy."

3 Overt Act No. 62: On or about May 14, 2009, UCC-C emailed a
4 Downey Ortho assistant, copying defendant HAMMER, Drobot, UCC-D, and
5 UCC-E, writing:

6 Per [Drobot] effective June 1st all non-surgical and surgical
7 dme will be ordered through Progressive Orthopedics in the
8 Downey office. Please share this email with your surgery
9 schedulers and physicians.

10 Overt Act No. 63: On or about May 15, 2009, as part of the
11 same email chain identified in the preceding Overt Act, defendant
12 HAMMER emailed Drobot, UCC-A, UCC-C, UCC-D, UCC-E writing:

13 With this ch[a]nge [w]ho is going to pick up the monthly
14 \$45,000+ we will lose from VQ? Why this one? It is VQ's
15 largest and I would expect to have the contract termed. Not sure
16 who will pick up the cash shortage.

17 Overt Act No. 64: On or about May 15, 2009, as part of the
18 same email chain identified in the preceding two Overt Acts, Drobot
19 replied: "Progressive has demonstrated their ability to send spine
20 surgeries . . . I anticipate that the surgeries will bring in much
21 more than \$45,000 per month."

22 Overt Act No. 65: On or about May 15, 2009, as part of the
23 same email chain identified in the preceding three Overt Acts,
24 defendant HAMMER responded to Drobot only (removing other recipients
25 from the email chain): "I understand this I am just concerned about
26 asking for the extra \$'s each month. We battle now and this is about
27 a 10% [i]ncrease."
28

1 Overt Act No. 66: On or about May 20 and 21, 2009, Canedo,
2 UCC-A, and UCC-G emailed each other regarding "Abrazos Board Minutes
3 and Payment to [UCC-L]." Canedo advised that "the section
4 authorizing payments to [UCC-L] are in the minutes dated 9/26/2006
5 and 10/22/2007, and UCC-A responded, "So other than a note in the
6 shareholder meeting, there isn't a contract defining the terms of the
7 stipend to [UCC-L]?" After an additional email with UCC-G, UCC-A
8 responded:

9 It's [UCC-F]'s call. But maybe we need more on paper to justify
10 [UCC-L's] payment. Can the current paperwork pass the scrutiny
11 of future creditors, IRS, etc. The IRS question is worth
12 running by [defendant HAMMER].

13 Overt Act No. 67: On or about May 21, 2009, Drobot emailed
14 Drobot Jr. and copied UCC-F, with a subject "[UCC-L] AR," writing
15 that UCC-L "has agreed to sell us his" accounts receivable for
16 outstanding inpatient, outpatient, and pain claims. Drobot further
17 indicated that the receivables "will be sold to IPM/CPM for
18 \$466,575," which "will be paid at \$25,000 per month for 18.7 months.
19 However, [UCC-L] will receive a check from IPM for \$60,000 per month
20 with \$35,000 coming from I2."

21 Overt Act No. 68: On or about May 26, 2009, as part of the
22 same email chain identified in the preceding Overt Act, UCC-F replied
23 with an article excerpt and writing "here is one of a growing number
24 of cases where there are kickback or similar problems, so, [] this
25 transaction with [UCC-L] has to be carried out by IPM/CPM, with no
26 involvement of [UCC-L] with I2."

27 Overt Act No. 69: On or about June 5, 2009, defendant HAMMER
28 emailed UCC-A and Drobot advising that he "reviewed the present

1 situation with [UCC-L]" regarding how IPM would be buying UCC-L's old
2 accounts receivables, with an agreement to purchase the dispensing
3 receivables going forward without inclusion of PSPM and noting:

4 PSPM was presented to [UCC-L] but he indicated the dollars [for]
5 the purchase of the receivables should all go to him. So we
6 need to discuss this issue with UCC-L if PSPM is to participate
7 in these fees under its management agreement. As the management
8 agreement is written[,] PSPM should be receiving its fees for
9 this work.

10 Overt Act No. 70: On or about June 16, 2009, defendant HAMMER
11 emailed UCC-C, requesting "a copy of whatever you pulled together
12 showing what the spine activity has been since Jan [2009]? Need for
13 [Drobot's] meeting with Sob[o]l tomorrow."

14 Overt Act No. 71: On or about July 7, 2009, an employee of
15 Drobot Jr. emailed him stating that, in a previous conversation, UCC-
16 I was "very specific about the doctors now wanting to order scans
17 [MRIs]" and that "[s]he is expecting someone from Drobot Jr.'s
18 company to discuss financial arrangements." Drobot Jr. responded
19 that he sent UCC-I a contract last week and was waiting to hear back.
20 Another employee of Drobot Jr. replied that he spoke with UCC-I
21 yesterday [July 6, 2009] and that UCC-I indicated her attorney was
22 reviewing the agreement, which would require another week or two.

23 Overt Act No. 72: On or about August 5 and 6, 2009, defendant
24 HAMMER emailed Canedo regarding payments out of a specified Pacific
25 Hospital financial account, inquiring, in part: "[UCC-L] was paid
26 \$100,000 in May [-] what for and was he given a 1099? Dividend?"
27 Canedo responded: "[UCC-L] \$100,000 is part of the bonuses paid
28 totaling \$1 million. UCC-A 510,000, [Drobot] \$390,000, [UCC-L]

1 \$100,000. ([UCC-A] and [Drobot] were paid through payroll and [UCC-
2 L] did get a 1099)." Canedo also highlighted a concern he raised
3 when the bonuses were paid.

4 Overt Act No. 73: On or about August 24, 2009, UCC-C emailed
5 Drobot and UCC-A, with a subject "Dr. [a Downey Orth-Affiliated
6 Physician - Physician E]," writing:

7 [UCC-L] [h]as requested that we refer all extremities from the
8 Downey office to [Physician E] in defendant HUNT's office. I
9 spoke with UCC-J in [defendant HUNT's] practice and [Physician
10 E] will start with Allied [Medical] next month. She guaranteed
11 me that anything we refer[] to [Physician E] through Allied
12 [Medical] will be done at PHLB.

13 Overt Act No. 74: On or about September 24, 2009, UCC-C
14 emailed UCC-A, copying Canedo, UCC-F, and UCC-D, with the subject
15 "Hunt surgeries," writing: "[UCC-I] provided me with a list of 29
16 spine surgeries performed at PHLB. I will now cross reference this
17 list with what was provided by the hospital and try to determine why
18 the discrepancy."

19 Overt Act No. 75: On or about September 24, 2009, as part of
20 the same email chain identified in the preceding Overt Act, UCC-F
21 replied to UCC-C and copied UCC-A, writing, in part:

22 To further the point I made today, we probably aren't going to
23 be able to compete with [defendant HUNT], but we could sure use
24 the option money to do our own attorney marketing. I forget
25 what we are paying for the option, is it 30 or 40 k? If 30K,
26 the 29 surgeries over 8.5 months cost \$8,793, plus the 22K a
27 surgery we pay for PSPM to manage [UCC-L]. If we pay 40K a
28 month, then [defendant HUNT's] surgeries cost \$11,724 a piece,

1 plus the [UCC-L] subsidy. Getting perilously close to paying
2 out more than we take in when you factor the cost of the
3 surgery.

4 Overt Act No. 76: On or about September 24, 2009, as part of
5 the same email chain identified in the preceding Overt Act, UCC-C
6 responded, in part, "the amount paid to [defendant HUNT] is \$4[0]k
7 but then they give back \$5K each month, so I guess the amount is
8 35K."

9 Overt Act No. 77: On or about September 24, 2009, as part of
10 the same email chain identified in the preceding two Overt Acts, UCC-
11 F replied to UCC-C, writing: "If we close our eyes, we can pretend
12 we're making money. We said PSPM cost about 22K a surgery, and now
13 you add in the 10K or so we have to pay [defendant HUNT], that can't
14 leave much after the hospital expenses are taken into account."

15 Overt Act No. 78: On or about September 25, 2009, as part of
16 the same email chain identified in the preceding three Overt Acts,
17 UCC-A responded to Drobot only with the following:

18 This Tuesday we should do a close examination of our real costs
19 in relation to marketing for spines. [UCC-F] is making some
20 excellent points and we need to drill down and determine what an
21 appropriate marketing cost is for our workers comp business. I
22 believe we need to make some adjustments in our marketing
23 payments.

24 Overt Act No. 79: On or about January 14, 2010, defendant
25 HAMMER emailed UCC-A and Drobot, with a subject "[Physician F]
26 Potential spine patients for PHLB," writing:

27 I once again talked to [Physician F] about his relationship with
28 some of the groups he works with. He indicated that he has two

1 groups who have spine patients to bring to PHLB. He would like
2 to talk to one of you two to review what he has available. One
3 group presently has 4 authorized spine cases ready and the other
4 has up to 40 cases 4 of which are presently being authorized for
5 surgery. Can one of you call him . . . and review these
6 potentials?

7 Overt Act No. 80: On or about March 25, 2010, UCC-L emailed
8 Drobot and UCC-A, writing, in part:

9 [I]t is a little unsettling to hear that there is a legal battle
10 [sic] with Innovasis regarding money owed to I2 vs money owed to
11 Innovasis as [accounts payable] from [PHLB]. At a time we are
12 trying to sell [PHLB] is litigation of these types a danger?
13 With all the skeletons do we need people nosing around? I am
14 certain we do not. These lawsuits will absolutely kill any
15 potential buyer, []let alone place all of us at risk.

16 Overt Act No. 81: On or about April 21, 2010, defendant HAMMER
17 emailed UCC-E, with a subject "[Physician F]," inquiring about the
18 status of payments to Physician F. Defendant HAMMER also requested
19 information about Physician F's latest billing and collections data.

20 Overt Act No. 82: On or about April 21, 2010, as part of the
21 email communication identified in the preceding Overt Act, UCC-E
22 responded to defendant HAMMER as follows:

23 I have -\$0.

24 Mike has committed \$500,000 to physicians for option agreements
25 and the [Physician C] group. This is above and beyond ou[r]
26 normal needs which have been shorted. I don't see a payment
27 going to him in the near future. [Physician F] is just another
28

1 physician on a list of many. I mentioned his request at the
2 meeting yesterday. I don't know what else I can tell you . . .

3 Overt Act No. 83: On or about June 29, 2010, defendant HAMMER
4 emailed Drobot and UCC-A advising them on a "contingent liability
5 issue" in connection with UCC-A's sale of the hospital back to
6 Drobot. Defendant HAMMER provided various options for keeping such a
7 payment off the corporate accounting records, writing, in part:

8 As a second option if you ([Drobot]) personally had the
9 contingent obligation and the hospital paid [UCC-A] \$50,000 per
10 month for a service and there was a side agreement that you
11 ([Drobot]) would receive credit for the amount the hospital paid
12 then this would not be on the books. This last option would be
13 trouble if the side agreement was found however.

14 Overt Act No. 84: On or about July 14, 2008, UCC-G emailed
15 Canedo, with the subject "[UCC-L]," inquiring:

16 Do you show any entry that [UCC-L] paid \$500,000 for an interest
17 in Abrazos? [Defendant HAMMER] does not show it on the Abrazos
18 books. Maybe it went in to PHLB somehow? I am thinking that he
19 never actually paid his money to purchase the shares. [UCC-A]
20 and [Drobot] need[] the answer.

21 Overt Act No. 85: On or about July 14, 2008, as part of the
22 email chain identified in the preceding Overt Act, Canedo responded:
23 "Never seen anything about his ownership."

24 Overt Act No. 86: On or about July 14, 2008, as part of the
25 email chain identified in the preceding two Overt Acts, UCC-G
26 clarified: "Just found out that [UCC-A] sold the shares from his
27 trust [the UCC-A Family Trust], so all funds were paid to his trust."
28

1 Overt Act No. 87: On or about October 1, 2010, UCC-L emailed
2 Drobot with the following message:

3 At some point we need to discuss ways of increasing my revenue
4 stream [-] we touched upon urine testing. I see we are now
5 using [Physician C's] brace company. No one discussed with me
6 but we are using [Physician D] for monitoring. I would like to
7 participate in - or chose my own people to take advantage of
8 that. Also there are other avenues available. I am at PHLB
9 sat[urday] am. Or we can meet next week. I need a [Ferarri]
10 458 you know.

11 Overt Act No. 88: On December 4, 2010, UCC-L emailed Drobot,
12 writing, in part: "I signed with IPM [to] start Jan 1 2011[.] I hope
13 we are on track for a great 2011. . . . Hope we have enough for a
14 large [year] end bonus and that in January we can bump up my Abrazos
15 directorship[.] I continue to support the Drobot enterprises (can't
16 keep up with the cars tho)[.]"

17 Overt Act No. 89: On December 16, 2010, UCC-K emailed Drobot,
18 with the subject "Dr. Hunt's office - [UCC-I]" and wrote:

19 I have an appointment to meet [UCC-I] at the LB [Long Beach]
20 Hunt office on Monday morning. She didn't feel comfortable
21 sharing Paul's process with me until I identified myself as
22 you[r] daughter. Now I am getting the red carpet treatment.
23 From our conversation, she's been up for a week and a half on
24 Paul's process and it is the same as the TriCities set up."

25 Overt Act No. 90: On February 1, 2011, Drobot, through Pacific
26 Hospital, and Drobot Jr., through LBPP, entered into a "Services
27 Agreement," where Pacific Hospital agreed to pay LBPP a \$60,000
28

1 monthly fee for "provid[ing] pharmaceutical and other medicines" to
2 Pacific Hospital patients.

3 Overt Act No. 91: On or about February 17, 2011, defendant
4 HUNT emailed Paul Randall, writing, in part: "After having our
5 attorney look over the Purchase Agreement that you gave to Allied
6 Medical Group, regarding the accounts receivable sale for toxicology,
7 he has a few concerns." Defendant HUNT then noted, among other legal
8 concerns, whether Allied Medical would be "obligated to sell all the
9 toxicology A/R" to Randall. Defendant HUNT concluded: "As it stands
10 now our attorney feels the agreement is rather meaningless. Let me
11 know what we can do about this."

12 Overt Act No. 92: On April 6, 2011, UCC-L emailed Drobot and
13 UCC-K regarding potentially sending specimens to the "PHLB lab,"
14 noting that "there seems to be big money involved as offers are
15 flying in," and asking if "anyone ha[s] an answer for competitions
16 offers?"

17 Overt Act No. 93: On April 22, 2011, UCC-B emailed Drobot
18 stating that an auditor was asking about the nature of a \$100,000
19 payment to UCC-L on January 13, 2011. UCC-B attached the payment
20 authorization from Drobot, and inquired what time period the payment
21 covered. The handwritten sheet of paper from Drobot to UCC-B read:
22 "Please prepare a check for \$100,000 to [UCC-L] for 'Workers Comp.
23 Consulting' 1/12/11" and was signed by Drobot.

24 Overt Act No. 94: On or about June 6, 2011, UCC-L emailed
25 Drobot Jr., inquiring, in part, if Drobot Jr. was "making headway
26 with" defendant HUNT's practice, and "what again is the offer for all
27 meds, UDT, scans [MRIs] from my own places"?

28

1 Overt Act No. 95: On or about June 7, 2011, as part of the
2 same email chain identified in the preceding Overt Act, Drobot Jr.
3 replied that he would pay UCC-L "\$40K for ALL UDT" and noted that
4 UCC-L already had a "PSPM med contract at \$70K, and non-PSPM meds at
5 \$17K. Scans could add another \$10K plus, need to know the volume of
6 scans we are talking about."

7 Overt Act No. 96: On June 16, 2011, UCC-L emailed UCC-D,
8 copied Drobot and Drobot Jr., and wrote that Drobot Jr. "sends lots
9 of referrals to the OC office," and that UCC-L had told Drobot "a
10 month ago that I would use [Drobot Jr.] there for UDT." UCC-L added:
11 "Hopefully all are on the same page and referrals will continue."
12 UCC-D forwarded UCC-L's email to UCC-K writing, "FYI."

13 Overt Act No. 97: On June 28, 2011, Canedo emailed UCC-F
14 inquiring whether UCC-F was "going to write a contract for the
15 \$500,000 or so we'll pay [UCC-L] this year?"

16 Overt Act No. 98: Between on or about July 9, 2011 and July
17 13, 2011, Drobot Jr. emailed UCC-L regarding UDT referrals. Drobot
18 Jr. initially wrote, in part, "please let me know if I can come by
19 Downey or [Sherman Oaks] next week to discuss options regarding the
20 post-PHLB sale future...I can guarantee \$40K more than my father is
21 offering." UCC-L replied regarding scheduling, and Drobot Jr. added:
22 "Plus if you come on board...with UDT...I'll give you \$50 per cup for
23 any leads...i.e. [a Downey Ortho-Affiliated Physician], others around
24 the country, etc. [Downey Ortho-Affiliated Physician] must do 400 a
25 month x \$50 = extra \$20K a month[.]" UCC-L and Drobot Jr. then
26 agreed to a Friday meeting.

27 Overt Act No. 99: Between on or about July 25, 2011 and July
28 27, 2011, Drobot Jr. and UCC-L emailed each other regarding Drobot

1 Jr. paying for UCC-L's ancillary referrals. On July 25, 2011, Drobot
2 Jr. asked UCC-L:

3 [W]hat is the latest with PSPM UDT program? Are you getting
4 \$\$\$...? Forget about the 40-7=33...I would do an ADDITIONAL 40
5 for the PSPM UDT.

6 Overt Act No. 100: On or about July 25, 2011, as part of the
7 same email chain identified in the preceding Overt Act,
8 UCC-L responded, in part:

9 Does intra-op monitoring make anything? Is it worth anything?
10 I am very close to doing just you.

11 BTW how did Hunt meet[ing] go Friday?--I was at a prior
12 commitment.

13 Overt Act No. 101: On or about July 26, 2011, as part of the
14 same email chain identified in the previous two Overt Acts, Drobot
15 Jr. responded to UCC-L:

16 [UCC-I] said she likes the offer...similar to yours...but she
17 said she has a 30 day out clause with [Randall]...I thought you
18 said that one of the reasons she wanted to switch is to be more
19 legal and not having an agreement was one thing to improve upon?
20 Regardless [UCC-I] will have our handsome offer agreement today.

21 Overt Act No. 102: On or about July 27, 2011, UCC-L emailed
22 defendant HUNT and UCC-I, and copied Drobot, with the following
23 message:

24 I have been involved in trying to get AMG [Allied Medical Group]
25 a better deal[.] Have promised Mike sr [Drobot] that PHLB gets
26 it all[.] Tim [defendant HUNT] said over a yr ago he had a year
27 to go with surgicenter[-]actually it was way over a yr ago[.]
28 Now I see Randall has still been involved[.] I know I am an

1 employee, but some practices need to change-unless all parties
2 are cool with current deals.

3 Overt Act No. 103: On or about August 1, 2011, PMR, through
4 Drobot, and Paul Randall, individually, entered into an "Asset
5 Purchase Agreement." The Asset Purchase Agreement obligated Randall
6 to transfer to PMR "all of the customer lists [Randall] used in
7 connection with [Randall's] existing business[.]" in exchange for 50%
8 of collections that PMR generates from such "listed and verified
9 customers." The agreement also provided that "[n]o payment made or
10 received under this Agreement . . . is in return for the referral of
11 Clients[.]"

12 Overt Act No. 104: Between on or about August 4 and 5, 2011,
13 Martin emailed UCC-L, soliciting his UDT referrals.

14 Overt Act No. 105: On or about August 4, 2011, as part of the
15 same email chain identified in the preceding Overt Act, UCC-L
16 responded, stating that he was already doing urine testing through
17 Drobot Jr.

18 Overt Act No. 106: On or about August 4, 2011, as part of the
19 same email chain identified in the preceding two Overt Acts, after an
20 additional email from Martin soliciting UCC-L to send his urine
21 testing referrals to Pacific Hospital, through PMR, UCC-L responded
22 as follows:

23 Problem with [Drobot] Sr. is all I hear about is how much he
24 subsidizes my practice. 4 yrs ago it was 600K[;] 2 yrs ago-
25 300K[;] now 160[.] Wonder where \$\$\$ came from for all luxury
26 trips with [others] and 4.5 mil house with 1 mil remodel. Sick
27 of the shit-at least his kid pays on time[.]"
28

1 Overt Act No. 107: On August 24, 2011, an IPM employee emailed
2 UCC-I, on behalf of defendant HUNT, attaching a copy of a "Physician
3 Office Dispensing Program, Claims Purchase and Assignment Agreement,"
4 for IPM to manage Allied Medical's in-office pharmacy dispensing
5 program, and for the purchase of all of Allied Medical's
6 pharmaceutical claims arising from the dispensing program, in
7 exchange for \$70,000 per month.

8 Overt Act No. 108: On August 30, 2011, a facsimile from "Allied
9 Medical" was sent to IPM that consisted of the "Physician Office
10 Dispensing Program, Claims Purchase and Assignment Agreement"
11 identified in the previous Overt Act, which was signed by defendant
12 HUNT and dated "8/29/11" under defendant HUNT's signature.

13 Overt Act No. 109: On September 8, 2011, a Pacific Hospital
14 employee emailed UCC-I, on behalf of defendant HUNT, attaching an
15 "Amendment to Option Agreement," and instructing UCC-I to "[p]lease
16 have Dr. Hunt sign the attached and fax back, Keep one copy for you."
17 The attached Amendment was sought to amend an Option Agreement
18 effective since January 1, 2009, and stated that the monthly option
19 payment from PSPM to defendant HUNT would be increased to \$65,000 per
20 month effective September 1, 2011. Drobot had already signed the
21 Amendment as "CEO" of the "Optionee" -- PSPM.

22 Overt Act No. 110: On or about September 13, 2011, Drobot Jr.
23 emailed UCC-I, on behalf of defendant HUNT, with a subject "UDT,"
24 writing: "we spoke 2-3 months ago regarding meds and UDT...then in
25 the last 4 weeks were told that UDT was off the table. Originally we
26 were told that you wanted to give PR [Paul Randall] a month's notice
27 [to terminate]. But [I]now I'm told that you have switched UDT
28

1 vendors, I believe to my father's company. Are you willing to
2 discuss this?"

3 Overt Act No. 111: Between on or about September 11 and 13,
4 2011, Canedo exchanged emails with UCC-K noting that \$35,000 of
5 defendant HUNT's \$65,000 then-monthly Option Payment covered PMR-
6 related UDT referrals.

7 Overt Act No. 112: On September 12, 2011, UCC-B emailed Canedo
8 asking about certain checks Drobot requested that he prepare. With
9 respect to UCC-L, UCC-B inquired: "I charge the \$20K for [UCC-L] in
10 UDT?" Canedo responded that the UCC-L check "can get charged to
11 8610-2200. Call it 'Abrazos Stipend.'"

12 Overt Act No. 113: On September 28, 2011, a PMR "Field
13 Operations Supervisor" emailed UCC-K, with the subject "Allied
14 Medical-Lawndale," writing, in part, "[o]ur new Site Processor []
15 started u/a in Lawndale today. All went very smoothly with u/a
16 setup[.] . . . I also picked up the "marketer" Business Associate
17 Agreements, . . . [and] New Client Registration Forms[.]"

18 Overt Act No. 114: On or about October 3, 2011, Drobot Jr.
19 emailed an IPM employee requesting an amended pharmacy agreement for
20 Allied Medical, advising that Drobot Jr. would be seeking to "bump[]
21 to 90K [from \$70K]. . . going to try to get UDT . . . Basically I
22 need to tell [UCC-I] [. . .] we will not be able to support the 70
23 for more than a few months . . . need to cut, term[,] or get UDT."

24 Overt Act No. 115: On October 7, 2011, UCC-L emailed Drobot,
25 writing:

26 It was good to speak with you. As I said[,] there are other
27 money offers. We agreed that:

28 1[.] Abrazos check would be sent this week

1 2[.] That November first -- and each 1st of the month I would get
2 22 Thousand per month as payment -- partial -- for 10% UDT
3 company[.] In exchange[,] I will do UDT in Oxnard-Valley-Downey
4 [offices]. Keep me informed on the sale[.]”

5 Overt Act No. 116: On October 10, 2011, UCC-E emailed UCC-C a
6 spreadsheet titled, “I2 Surgery Statistics,” writing, in part:

7 The attached spreadsheet shows the number of fusions per month
8 using [I2]. . . . [UCC-L] and [a Downey Ortho-Affiliated
9 Physician] have 1-2 cases per month where they use non-[I2]
10 implants.

11 . . .

12 [Downey Ortho] averages \$360,000 in expenses per month. This
13 includes all the locations. From [] [UCC-L] and [another
14 Downey Ortho-Affiliated Physician] we get about \$125,000 per
15 month. In addition, we get about \$30,000 from the other guys.
16 ([listing other Downey Ortho-Affiliated Physicians])

17
18 [The other Downey Ortho-Affiliated Physician] provides about
19 \$66,000 from his management fee (32.5%). In addition, [] his
20 pharmacy provides PSPM an[] additional \$35,000. His allocated
21 share of monthly expenses is \$150,000. PSPM provides about
22 \$50,000 for [the other Downey Ortho-Affiliated Physician] [,]
23 which includes his management fee and extra.

24
25 [UCC-L] provides about \$60,000 from his management fee (32.5%).
26 He uses [Drobot Jr.'s] pharmacy so we don't get a share of that.
27 His allocated share of expenses is about \$176,000. As you
28 know[,] he is higher maintenance than [the other Downey Ortho-

1 Affiliated Physician]. PSPM provides about \$116,000 for [UCC-
2 L,] which includes his management fee plus extra.

3
4 So the expenses are as follows:

5 \$360,000 avg monthly expenses for [Downey Ortho]
6 (\$101,000) provided by [the other Downey Ortho-Affiliated
7 Physician] from mgmt fees
8 (\$60,000) provided by [UCC-L] from mgmt fees
9 (\$30,000) provided by misc physicians from mgmt fees

10 -----
11 (\$169,000) provided by PSPM over and above mgmt fee

12 Overt Act No. 117: On November 11, 2011, Drobot Jr. emailed
13 UCC-I, on behalf of defendant HUNT, with three different options for
14 an amendment to the "Physician Office Dispensing Program, Claims
15 Purchase and Assignment Agreement." The three amendment options were
16 identical save for the monthly amount IPM would pay Allied Medical
17 for pharmaceutical claims arising from the IPM dispensing program:
18 \$50,000, \$120,000, and \$155,000.

19 Overt Act No. 118: On an unknown date between November 12, 2011
20 and January 1, 2012, Drobot Jr. emailed UCC-I writing that because of
21 reimbursement changes with various medications slated to take effect
22 January 1, 2012, IPM would need to lower the monthly payment amount
23 under the then-existing Claims Purchase Agreement between IPM and
24 Allied Medical to approximately \$50,000. Drobot Jr. then wrote: "My
25 recent offer to Allied was \$120,000. That would have locked your
26 meds in at \$70K a month, going forward, plus added \$50K more for UDT
27 and MRIs. . .

1 Overt Act No. 119: On or about December 15, 2011, Canedo
2 emailed UCC-E, UCC-K, and one other Pacific Hospital employee, with
3 the subject "PMR," writing, "Mike said he bumped up [defendant
4 HUNT's] rent [error in original, should read "option"] from \$30K to
5 \$65K for his urine stuff. When did that start?"

6 Overt Act No. 120: On or about December 15, 2011, as part of
7 the same email chain identified in the preceding Overt Act, Canedo
8 further inquired, "how will [UCC-K] know what the real performance of
9 PMR is without this info [which is not otherwise tracked]?" "They
10 don't have Hunt . . . and anybody else that's getting paid somehow
11 for UDT."

12 Overt Act No. 121: On or about December 15, 2011, as part of
13 the same email chain identified in the preceding two Overt Acts, UCC-
14 E replied: "Talk to Mike about it[.]"

15 Overt Act No. 122: On or about January 4, 2012, UCC-B emailed
16 Canedo, with a subject "[UCC-L's] Check for \$35K," advising that UCC-
17 B:

18 did issue the check for [UCC-L] today. However, I'm not sure
19 why we describe it as an Abrazos stipend instead of PMR
20 consulting fees. I might be asked this question by [auditors]
21 in the future.

22 Overt Act No. 123: On or about January 4, 2012, in response to
23 the email identified in the preceding Overt Act, Canedo replied:
24 "UDT for the whole thing."

25 Overt Act No. 124: On or about January 4, 2012, UCC-E emailed
26 Drobot the below chart as a "breakdown of PSPM expenses by month and
27 by physician and other cost centers[:]"

28

PSPM Monthly Contribution to Physicians' Operations			
	Total	C	
Monthly Operational Expenses	(512,934)	(189,055)	(142,083)

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Overt Act No. 125: On or about February 3, 2012, UCC-E emailed Drobot as part of the same email chain identified in the preceding Overt Act, writing, "You are correct we support [UCC-L's] and [another Downey Ortho-Affiliated Physician's] practice by about \$200,000 per month."

Overt Act No. 126: On or about January 9 and 10, 2012, Drobot Jr. and UCC-I exchanged emails regarding scheduling a meeting with defendant HUNT, ultimately agreeing on a meeting on January 13, 2012, in defendant HUNT's Lawndale office.

Overt Act No. 127: On or about January 13, 2012, Drobot Jr. met with UCC-I and defendant HUNT to discuss Drobot Jr. paying for defendant HUNT's referral of UDT and MRIs.

Overt Act No. 128: On January 16, 2012, Drobot Jr. emailed UCC-I, with a subject "amendment," writing, in part, "please let me know if you need anything else from my end. We would want to start as soon as possible so that your next check is 120 and not 50K...We have already paid for January so the next check is for February[.]"

Overt Act No. 129: On or about January 20, 2012, UCC-B emailed defendant HAMMER, copying Canedo, attaching Pacific Hospital's 1099 Reports for 2011.

Overt Act No. 130: On or about January 25, 2012, as part of the email chain identified in the preceding Overt Act, defendant HAMMER

1 responded with comments, including the following: "[UCC-L] - what are
2 these payments for? He is a 10% owner so are these dividends?"

3 Overt Act No. 131: On or about January 27, 2012, as part of the
4 email chain identified in the preceding two Overt Acts, UCC-B
5 replied: "We've been paying [UCC-L] for his stipend and not
6 dividends."

7 Overt Act No. 132: On or about January 27, 2012, as part of the
8 email chain identified in the preceding three Overt Acts, Canedo
9 responded to both UCC-B and defendant HAMMER, clarifying "[t]he
10 payments in 2011 to UCC-L are unsupported by any contracts. The
11 \$100,000 was written on a napkin and the other payments [were] paid
12 for the UDT." "There is no contract in place for the [UCC-L] UDT
13 payments and [UCC-F] won't write one."

14 Overt Act No. 133: On or about January 27, 2012, as part of the
15 email chain identified in the preceding four Overt Acts, defendant
16 HAMMER dropped UCC-B from the email chain and emailed only Canedo the
17 following: "Fine then let's make it a dividend and eliminate the
18 problem. BILL"

19 Overt Act No. 134: On or about January 23, 2012, Pacific
20 Hospital electronically transmitted a toxicology claim for UDT
21 ordered by UCC-L to DOL-OWCP for patient G.G.

22 Overt Act No. 135: On January 30, 2012, Drobot Jr. emailed UCC-
23 I, with the subject "Allied," writing, in part:

24 I heard [defendant HUNT] spoke to my father. I have not spoken
25 to my father yet regarding this topic. I would suggest that Tim
26 Hunt sign one of the two amendments which I gave to you. Either
27 1. \$120K or 2. \$155K. Either way, and as I stated before, the
28 first new amount will be payable 45 days from operational

1 change/switch (as soon as we take over the two new services)
2 UCC-I, Christina [--] the UDT manager [--] is ready to begin the
3 transition.

4 Overt Act No. 136: On January 30, 2012, Drobot Jr. emailed UCC-
5 I and defendant HUNT, with the subject "Allied UDT," to introduce
6 Christina (the UDT manager) and provided her email address and phone
7 number.

8 Overt Act No. 137: On or about February 3, 2012, Christina (the
9 UDT manager) emailed UCC-I, copied Drobot Jr., and recapped and
10 expanded upon her conversation earlier in the day when she met with
11 UCC-I. Christina (the UDT manager) wrote that UCC-I indicated that
12 the "UDT paperwork" would be signed that day and delivered to
13 Christina (the UDT manager). Christina (the UDT manager) added: "I
14 know you want to start next week and it takes at least 5 business day
15 to get things rolling."

16 Overt Act No. 138: On or about February 7, 2012, Drobot Jr.
17 emailed Drobot and UCC-F a "reminder to amend the retail pharmacy
18 agreement [i.e., the LBPP Services Agreement with Pacific Hospital]
19 we have from 60K to 90K starting in February to be paid in March.

20 Overt Act No. 139: On or about February 7, 2012, as part of the
21 email chain identified in the preceding Overt Act, Drobot responded
22 to UCC-F that Drobot Jr.'s email concerns payments to defendant HUNT
23 ("this is for Hunt").

24 Overt Act No. 140: On an unknown date, effective February 1,
25 2012, Pacific Hospital, through Drobot, and LBPP, through Drobot Jr.,
26 amended the "Services Agreement," dated February 1, 2011 -- providing
27 that Pacific Hospital pay LBPP a \$60,000 monthly fee for "provid[ing]
28

1 pharmaceutical and other medicines" to Pacific Hospital patients --
2 such that the monthly fee became \$90,000.

3 Overt Act No. 141: On February 13, 2012, Drobot Jr. emailed
4 UCC-I regarding "a bad week" for Allied Medical's volume of UDT
5 referrals to Drobot Jr.

6 Overt Act No. 142: On February 26, 2012, UCC-L emailed Drobot,
7 writing, in part:

8 When we last spoke you had mentioned things were tight. You
9 said there was a need for you to loan 500k. As my Abrozos urine
10 has stopped [--] we are December[,] Jan[,] Feb[,] behind[,] so I
11 would prefer that the 105[,]000 be converted to a loan as your
12 500 is. Going forward let [UCC-E] reflect that my cost to PSPM
13 is not 160 but 135[,] as you can keep the UDT Downey [generates]
14 as a defrayal of expense. I would hope you would have [C]anedo
15 restore the original Abrazos 10k until the hospital sells.

16 Overt Act No. 143: On March 7, 2012, defendant HAMMER emailed
17 Drobot and UCC-F regarding the potential tax consequences of PSPM
18 option contracts, and wrote the following:

19 As we discussed[,] we have an issue with the potential taxable
20 income and the options payments on the books of PSPM. In
21 2011[,] we paid \$2,568,900 in what was described as "option
22 payments." [UCC-F] I am hoping we have agreements for these???
23 So at the present time[,] we have \$200,000 of taxable income in
24 PSPM, including the write off of the \$2,568,900 of option
25 payments paid in 2011. If I reclassified them to the Balance
26 sheet, and did not write them off. . .then we would have \$2.8M
27 of taxable income and \$1.1M of tax due. So my question is to
28 you two - "have any of the option agreements been terminated

1 prior to 12/31/11"? If so[,] which ones and are there
2 termination agreements? . . .

3 Overt Act No. 144: On or about March 8, 2012, as part of the
4 same email chain identified in the preceding Overt Act, UCC-F replied
5 to defendant HAMMER and Drobot: "I am not sure we have signed
6 agreements or termination with the following: . . . Allied [Medical],
7 is an option that was termed, but in 2012, I think[.]"

8 Overt Act No. 145: On April 17, 2012, UCC-L emailed Drobot and
9 defendant HAMMER, writing, in part:

10 I was just reminding you both of the agreement. I had an
11 Abrazos consulting agreement that was in place for 2011. It
12 functioned until 12/[20]11. For 12/[20]11 til 3/[20]12[,] it
13 was agreed upon by Mike and me that the 4 month period would be
14 treated as a loan to PHLB. I wish to have the loan treated as a
15 contract. I know [Drobot] and [UCC-A] both "loaned" to PHLB at
16 a good interest. I would like the same loan opportunity[.]
17 Also this is 4/16/12 - there still has been no Abrazos check[.]
18 We need to address this[.]

19 Overt Act No. 146: On April 30, 2012, Martin emailed UCC-L
20 about working with a chiropractor "who has offices all over [Southern
21 California]" to ensure all spinal surgery referrals from the
22 chiropractor's offices go to Pacific Hospital.

23 Overt Act No. 147: On or about May 3 and 4, 2012, as part of
24 the email chain identified in the preceding Overt Act, UCC-L emailed
25 Martin noting that he met the chiropractor and Drobot, but the "only
26 thing discussed was spine to Pacific," prompting UCC-L to inquire
27 with Martin if he "could do pharm-UDT" relative to the patients he
28 saw at the chiropractor's offices.

1 Overt Act No. 148: On or about May 8, 2012, as part of the
2 email chain identified in the preceding two Overt Acts, UCC-L emailed
3 Martin, copying UCC-D and Drobot, stating that the chiropractor
4 seemed to place Martin in charge and added the following:

5 "Before I go I need to know:

6 1[.] who bills for my consults

7 2[.] who transcribes

8 3[.] who bills for my surgeries

9 If I get no meds, UDT - it should all be mine or PSPMs[.] Mike
10 will get all spines. . . . Please iron this out.

11 Overt Act No. 149: On or about May 11, 2012, as part of the
12 email chain identified in the preceding three Overt Acts, UCC-L
13 wrote, in part: "Mike only wants spines[;] I won't work for free[.]"

14 Overt Act No. 150: On July 10, 2012, UCC-E emailed UCC-B asking
15 if he "cut the checks for PMR expenses paid from PHLB?" UCC-E then
16 asked UCC-B about two specific payments made in May 2012: Consulting
17 fee \$70,000 and Purchased Svs \$32,000[.]"

18 Overt Act No. 151: On or about July 10, 2012, UCC-B replied to
19 UCC-E, as part of the email chain identified in the preceding Overt
20 Act, as follows:

21 Yes, the \$70K is for Dr. [UCC-L] (2 checks at \$35,000 each).

22 The \$32K is broken down between PMR (\$30K) and Professional
23 Locksmith (\$2K).

24 Overt Act No. 152: In or about August 2012, defendant HAMMER
25 prepared the 2011 U.S. Corporation Income Tax Return for PSPM.

26 Overt Act No. 153: Effective November 1, 2012, Drobot Jr. and
27 defendant HUNT amended their "Physician Office Dispensing Program,
28 Claims Purchase and Assignment Agreement," such that the monthly

1 payment from IPM to Allied Medical would decrease from \$155,000 to
2 \$136,250 per month. Defendant HUNT and Drobot Jr. executed the
3 amendment on September 21, 2012 and September 25, 2012, respectively.

4 Overt Act No. 154: On or about November 28, 2012, Pacific
5 Hospital issued to UCC-L a check (#268869) for \$100,000.

6 Overt Act No. 155: On or about November 29, 2012, UCC-L
7 deposited a check (#268869) from Pacific Hospital, in the amount of
8 \$100,000, into his Wells Fargo bank account ending in 5390.

9 Overt Act No. 156: On or about December 1, 2012, IPM issued to
10 Allied Medical a check for \$136,250 with "Claims Purchase for
11 November" in the memo line.

12 Overt Act No. 157: On or about December 1, 2012, IPM issued to
13 UCC-L a check for \$100,000.

14 Overt Act No. 158: On or about December 10, 2012, UCC-L
15 deposited a check for \$100,000 into his Santa Barbara Bank and Trust
16 account ending in 2992.

17 Overt Act No. 159: On or about December 17, 2012, Pacific
18 Hospital mailed a claim for the hospital-billing component of patient
19 B.J.H.'s medical care to the Louisiana Workers Compensation
20 Corporation.

21 Overt Act No. 160: On or about December 26, 2012, Pacific
22 Hospital mailed a claim for the hospital-billing component of patient
23 M.D.'s medical care to Travelers Insurance.

24 Overt Act No. 161: On or about January 1, 2013, IPM issued to
25 Allied Medical a check for \$136,250 referencing "Claims Purchase for
26 December" in the memo line.

1 Overt Act No. 162: On or about January 7, 2013, Pacific
2 Hospital mailed a claim for the hospital-billing component of patient
3 G.G.'s medical care to DOL-OWCP.

4 Overt Act No. 163: On or about January 27, 2013, Drobot emailed
5 UCC-L a "Letter of Intent for Stock Purchase" for the sale of Pacific
6 Hospital to a third party and solicited UCC-L's thoughts on the
7 arrangement.

8 Overt Act No. 164: On or about March 11, 2013, as part of the
9 same email chain identified in the preceding Overt Act, UCC-L
10 forwarded the January 27, 2013 email to defendant HAMMER, writing:
11 Bill -- Hope you are on top of this[.] We did a deal you said
12 [Drobot] was aware of[.] Since December-no Abrazos checks[.]"

13 Overt Act No. 165: On or about March 11, 2013, as part of a
14 related thread to the email chain identified in the preceding two
15 Overt Acts, defendant HAMMER emailed Canedo and UCC-B, writing: "Do
16 we have a payable to [UCC-L] for past due Med Director fees?"

17 Overt Act No. 166: On or about March 12, 2013, in response to
18 the email from defendant HAMMER in the preceding Overt Act, Canedo
19 replied: "It's never past due. We pay when [Drobot] orders [UCC-B]
20 to cut a check. Plus mike combined it with the fee for urine drug
21 testing."

22 Overt Act No. 167: On or about March 12, 2013, as part of the
23 same email chain identified in the preceding four Overt Acts, UCC-L
24 emailed Drobot, writing:

25 Hope deal is going ahead[.] We do have a deal elsewhere[.]

26 Hope [defendant HAMMER] explained that with I2 and what I have
27 deferred[,] i.e[.], 175 from old Abrazos--and last 3 months of
28 New Abrazos--we are a wash[.]

1 Overt Act No. 168: On or about February 4, 2013, UCC-K emailed
2 UCC-E, copied Drobot, and wrote, in part:

3 My father would like to give me an end of year bonus as
4 President of PMR for \$100,000 out of PMR funds. Can you
5 facilitate this?

6 Secondly, can you please stop my I2 check and replace them
7 with PMR checks? I will have [UCC-G] help me with a consultant
8 contract for my Presidential oversight of PMR.

9 Overt Act No. 169: On or about February 4, 2013, Pacific
10 Hospital mailed a claim for the hospital-billing component of patient
11 C.C.'s medical care to Sedgwick CMS.

12 Overt Act No. 170: On or about February 11, 2013, Pacific
13 Hospital mailed a claim for the hospital-billing component of patient
14 B.P.'s medical care to Liberty Mutual Insurance.

15 Overt Act No. 171: On March 25, 2013, UCC-I and UCC-L exchanged
16 emails concerning how UCC-D would be taking over the scheduling of
17 UCC-L's surgeries on patients originating from Allied Medical, and
18 that all such surgeries would be moved away from Pacific Hospital to
19 another specified hospital.

20 Overt Act No. 172: On or about March 27, 2013, UCC-E emailed
21 defendant HAMMER, with a subject "April 1 forward," soliciting
22 defendant HAMMER's thoughts on corporate and personnel changes
23 following the termination of PSPM's management operations.

24 Overt Act No. 173: On or about September 13, 2013, defendant
25 HAMMER signed and prepared the 2012 U.S. Corporation Income Tax
26 Return for PSPM and affiliated entities.

COUNTS TWO THROUGH EIGHT

[18 U.S.C. §§ 1341, 1346, 2(b)]

37. Paragraphs 1 through 31 and 33 through 36 of this Indictment, including all subparagraphs, are re-alleged and incorporated by reference as if fully set forth herein.

A. THE SCHEME TO DEFRAUD

38. Beginning on a date unknown, but from no later than 1998, and continuing through at least in or around October 2013, in Orange and Los Angeles Counties, within the Central District of California, and elsewhere, Drobot, joined by defendant HAMMER from no later than 1998 to at least in or about September 2013, defendant HUNT from no later than 2008 to at least in or about February 2013, Canedo from no later than 1999 to at least October 2013, Drobot Jr. from no later than 2005 to at least in or about April 2013, Martin from 1998 to 2004 and 2010 to 2013, UCC-A from in or about August 2005 to at least in or about October 2010, UCC-L from no later than 1998 to at least in or about March 2013, UCC-D from no later than 1998 to at least in or about March 2013, UCC-C from no later than 1998 to at least 2009, UCC-E from no later than 2005 to at least in or about April 2013, and others known and unknown to the Grand Jury at various times between 1998 and 2013, knowingly and with intent to defraud, devised, participated in, and executed a scheme to defraud patients of their right to honest services of their physicians' performance of duties as treating physicians and medical providers by soliciting, offering, accepting, and paying bribes and kickbacks to induce the referral Kickback Tainted Surgeries and Services to Pacific Hospital in connection with such patients.

1 B. OPERATION OF THE SCHEME TO DEFRAUD

2 39. The fraudulent scheme operated, in substance, as set forth
 3 in paragraphs 33, 34, and 35 of this Indictment.

4 C. USE OF THE MAILS

5 40. On or about the following dates, within the Central
 6 District of California, and elsewhere, Drobot, defendants HAMMER and
 7 HUNT, Drobot Jr., Martin, UCC-A, UCC-L, UCC-D, UCC-C, UCC-E, Canedo,
 8 and other co-schemers, for the purpose of executing the above-
 9 described scheme to defraud, willfully caused the following items to
 10 be placed in a post office and authorized depository for mail matters
 11 to be delivered by the Postal Service and private and commercial
 12 interstate carrier, as set forth below:

COUNT	APPROXIMATE DATE	MAILING
TWO	12/18/2012	Check (#824277) from SCIF, in the amount of \$51,617.33, to Pacific Hospital for reimbursement of the claim related to the hospital-billing component of patient A.B., who Allied Medical referred to UCC-L for surgery at Pacific Hospital on or about January 25, 2012.
THREE	12/19/2012	Check (#98341934) from Gallagher Bassett Services Inc., in the amount of \$44,573.28, to Pacific Hospital for reimbursement of the claim related to the hospital-billing component of patient K.C.L., who Allied Medical referred to UCC-L for surgery at Pacific Hospital on or about October 31, 2012.
FOUR	12/26/2012	Check (#25875061) from Liberty Mutual, in the amount of \$50,705.74, to Pacific Hospital for partial reimbursement of the claim related to the hospital-billing component of patient T.P., who Allied Medical referred to UCC-L for surgery at Pacific Hospital on or about October 31, 2012.

COUNT	APPROXIMATE DATE	MAILING
FIVE	12/26/2012	Claim for reimbursement from Pacific Hospital to Travelers Insurance for hospital-billing component of medical care provided to patient M.D., based on referral from Allied Medical to UCC-L, for cervical spinal fusion surgery at Pacific Hospital on or about December 8, 2012.
SIX	1/7/2013	Claim for reimbursement from Pacific Hospital to DOL-OWCP for hospital-billing component of medical care provided to patient G.G., based on referral from Allied Medical to UCC-L, for spinal fusion surgery at Pacific Hospital on or about December 8, 2012.
SEVEN	2/7/2013	U.S. Treasury Check (#40304), in the amount of \$147,263.46, to Pacific Hospital for reimbursement of various claims, including \$57,445.81 related to the hospital-billing component of patient G.G.'s medical care reimbursed under the FECA program.
EIGHT	3/11/2013	Check (#289877) from California Joint Powers Insurance Authority, in the amount of \$37,728.25, to Pacific Hospital for reimbursement of the claim related to the hospital-billing component of patient S.C., who Allied Medical referred to UCC-L for surgery at Pacific Hospital on or about August 25, 2012.

COUNT NINE

[18 U.S.C. §§ 1343, 1346, 2(b)]

41. Paragraphs 1 through 31 and 33 through 36 of this Indictment, including all subparagraphs, are re-alleged and incorporated by reference as if fully set forth herein.

A. THE SCHEME TO DEFRAUD

42. Beginning on a date unknown, but from no later than 1998, and continuing through at least in or around October 2013, in Orange and Los Angeles Counties, within the Central District of California, and elsewhere, Drobot, joined by defendant HAMMER from no later than 1998 to at least in or about September 2013, defendant HUNT from no later than 2008 to at least in or about February 2013, Canedo from no later than 1999 to at least October 2013, Drobot Jr. from no later than 2005 to at least in or about April 2013, Martin from 1998 to 2004 and 2010 to 2013, UCC-A from in or about August 2005 to at least in or about October 2010, UCC-L from no later than 1998 to at least in or about March 2013, UCC-D from no later than 1998 to at least in or about March 2013, UCC-C from no later than 1998 to at least 2009, UCC-E from no later than 2005 to at least in or about April 2013, and others known and unknown to the Grand Jury at various times between 1998 and 2013, knowingly and with intent to defraud, devised, participated in, and executed a scheme to defraud patients of their right to honest services of their physicians' performance of duties as treating physicians and medical providers by soliciting, offering, accepting, and paying bribes and kickbacks to induce the referral Kickback Tainted Surgeries and Services to Pacific Hospital in connection with such patients.

1 B. OPERATION OF THE SCHEME TO DEFRAUD

2 43. The fraudulent scheme operated, in substance, as set forth
 3 in paragraphs 33, 34, and 35 of this Indictment.

4 C. USE OF INTERSTATE WIRES

5 44. On or about the following dates, within the Central
 6 District of California, and elsewhere, Drobot, defendants HAMMER and
 7 HUNT, Canedo, Drobot Jr., Martin, UCC-A, UCC-L, UCC-D, UCC-C, UCC-E,
 8 and other co-schemers, for the purpose of executing the above-
 9 described scheme to defraud, transmitted and caused the transmission
 10 of items by means of wire communication in interstate commerce, as
 11 set forth below:

COUNT	APPROXIMATE DATE	INTERSTATE WIRE TRANSMISSION
NINE	11/29/2012	Interstate wire through Federal Reserve Bank servers in Dallas, Texas, effectuating a transfer of \$100,000 from Pacific Hospital's East West Bank account ending in 0545 (the "0545 East West Bank Acct") in California to UCC-L's Wells Fargo bank account ending in 5390 in California.

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COUNTS TEN THROUGH FOURTEEN

[18 U.S.C. §§ 1952(a)(3); 18 U.S.C. § 2]

45. Paragraphs 1 through 31, 33 through 36, 40, and 44 of this Indictment, including all subparagraphs, are re-alleged and incorporated by reference as if fully set forth herein.

46. On or about the dates set forth below, in Orange and Los Angeles Counties, within the Central District of California, and elsewhere, Drobot, defendants HAMMER and HUNT, Canedo, Drobot Jr., Martin, UCC-A, UCC-L, UCC-D, UCC-C, UCC-E, and others, used, aided and abetted the use of, and willfully caused the use of, the mail and facilities in interstate commerce, with the intent to otherwise promote, manage, establish, carry on, and facilitate the promotion, management, establishment, and carrying on of an unlawful activity, namely, kickbacks or bribes in violation of California Business & Professions Code Section 650, California Insurance Code Section 750, and California Labor Code Section 3125, and thereafter performed, attempted to perform, and aided and abetted and willfully caused the performance of an act to promote, manage, establish, and carry on, and to facilitate the promotion, management, establishment, and carrying on of such unlawful activity as follows:

COUNT	DATE	USE OF MAIL OR FACILITY IN INTERSTATE COMMERCE	ACTS PERFORMED THEREAFTER
TEN	12/10/2012	Deposit and clearing of check (#12081) from IPM to defendant HUNT, through Allied Medical, for \$136,250.	On or about February 20, 2013, UCC-L performed "Level 1 Nerve Procedures" on patient B.G. at Pacific Hospital, based on a referral from Allied Medical.

COUNT	DATE	USE OF MAIL OR FACILITY IN INTERSTATE COMMERCE	ACTS PERFORMED THEREAFTER
ELEVEN	12/26/2012	Mailing of claim for reimbursement from Pacific Hospital to Travelers Insurance for patient M.D., who was treated at Allied Medical prior to UCC-L performing surgery on her at Pacific Hospital on or about December 8, 2012.	On or about January 1, 2013, Drobot Jr. caused IPM to write a check (#12310) to defendant HUNT, through Allied Medical, in the amount of \$136,250, which was deposited on or about January 11, 2013.
TWELVE	1/7/2013	Mailing of claim for reimbursement from Pacific Hospital (in California) to DOL-OWCP (in Kentucky) for patient G.G., a patient of Allied Medical, for whom UCC-L performed a spinal fusion surgery at Pacific Hospital on or about December 8, 2012.	On or about February 11, 2013, Pacific Hospital deposited U.S. Treasury Check #40304, in the amount of \$147,263.46, in the East West Bank account ending in 1671.
THIRTEEN	2/7/2013	Mailing of U.S. Treasury Check #40304, in the amount of 147,263.46, from Kansas City, Missouri to Pacific Hospital (in California).	On or about February 25, 2013, IPM issued a check for \$100,000, with "loan" in the memo line, to defendant HUNT.
FOURTEEN	2/21/2013	Submission of claim for reimbursement from Pacific Hospital (in California) to CNA Claims Plus (in Illinois) for patient B.R., a patient of Allied Medical, for whom UCC-L performed a cervical spinal fusion surgery at Pacific Hospital on or about February 6, 2013.	No later than on or about April 1, 2013, CNA Claims Plus reimbursed Pacific Hospital a portion of the \$126,825.91 claim submitted in connection with patient B.R.'s surgery at Pacific Hospital.

COUNT FIFTEEN

[42 U.S.C. § 1320a-7b(b) (1) (A); 18 U.S.C. § 2]

47. The Grand Jury hereby repeats and realleges paragraphs 1 through 31, 33 through 36, 40, 44, and 46 of this Indictment as if fully set forth herein.

48. On or about December 10, 2012, in Orange and Los Angeles Counties, within the Central District of California, and elsewhere, defendant HUNT knowingly and willfully solicited and received, and willfully caused to be solicited and received, remuneration, directly and indirectly, overtly and covertly, in cash and in kind, that is, a substantial portion of defendant HUNT's \$136,250 monthly payment from IPM purportedly under the guise of a pharmaceutical claims purchase agreement between IPM and Allied Medical, in return for referring patients for the furnishing and arranging for the furnishing of items and services, that is, toxicology referrals to Drobot Jr. and/or companies affiliated with Drobot Jr., specifically including the ordering of a toxicology test for patient V.T., for which payment was made in whole and in part under a Federal health care program, namely, the FECA program.

COUNT SIXTEEN

[42 U.S.C. § 1320a-7b(b) (1) (A); 18 U.S.C. § 2]

49. The Grand Jury hereby repeats and realleges paragraphs 1 through 31, 33 through 36, 40, 44, and 46 of this Indictment as if fully set forth herein.

50. On or about January 11, 2013, in Orange and Los Angeles Counties, within the Central District of California, and elsewhere, defendant HUNT knowingly and willfully solicited and received, and willfully caused to be solicited and received, remuneration, directly and indirectly, overtly and covertly, in cash and in kind, that is, a substantial portion of defendant HUNT's \$136,250 monthly payment from IPM purportedly under the guise of a pharmaceutical claims purchase agreement between IPM and Allied Medical, in return for referring patients for the furnishing and arranging for the furnishing of items and services, that is, Kickback Tainted Surgeries and Services, including surgery referrals to UCC-L, other Downey-Ortho Affiliated Physicians, and other Pacific Induced Surgeons for such surgeries to be performed at Pacific Hospital, specifically including the referral of Allied Medical patient G.G. to UCC-L, who performed surgery on patient G.G. at Pacific Hospital on or about December 8, 2012, for which payment was made in whole and in part under a Federal health care program, namely, the FECA program.

FORFEITURE ALLEGATION

[18 U.S.C. §§ 982(a)(7), 981(a)(1)(C) and 28 U.S.C. § 2461(c)]

51. Pursuant to Rule 32.2(a), Fed. R. Crim. P., notice is hereby given to defendants HUNT and HAMMER (collectively, the "defendants") that the United States will seek forfeiture as part of any sentence in accordance with Title 18, United States Code, Sections 982(a)(7) and 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), in the event of any defendant's conviction under any of Counts One through Sixteen of this Indictment.

52. Defendants shall forfeit to the United States the following property:

a. all right, title, and interest in any and all property, real or personal, that constitutes or is derived, directly or indirectly, from the gross proceeds traceable to the commission of any offense set forth in any of Counts One through Sixteen of this Indictment; and

b. a sum of money equal to the total value of the property described in subparagraph a. For each of Counts One through Sixteen of this Indictment for which more than one defendant is found guilty, each such defendant shall be liable for the entire amount forfeited pursuant to that Count.

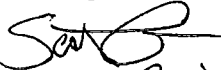
53. Pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c), and Title 18, United States Code, Section 982(b), each defendant shall forfeit substitute property, up to the total value of the property described in the preceding paragraph if, as a result of any act or omission of a defendant, the property described in the preceding paragraph, or any portion thereof (a) cannot be located upon the

1 exercise of due diligence; (b) has been transferred, sold to or
2 deposited with a third party; (c) has been placed beyond the
3 jurisdiction of the Court; (d) has been substantially diminished in
4 value; or (e) has been commingled with other property that cannot be
5 divided without difficulty.

6 A TRUE BILL

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9 Foreperson _____

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11 SANDRA R. BROWN
Acting United States Attorney

12 
13 Scott Ganninger
14 Deputy Chief, Criminal Division For:

15 LAWRENCE S. MIDDLETON
Assistant United States Attorney
Chief, Criminal Division

16 DENNISE D. WILLETT
17 Assistant United States Attorney
Chief, Santa Ana Branch Office

18 JOSEPH T. MCNALLY
19 Assistant United States Attorney
Deputy Chief, Santa Ana Branch Office

20 GEORGE S. CARDONA
21 Assistant United States Attorney
Chief, Major Frauds Section

22 LIZABETH A. RHODES
23 Assistant United States Attorney
Chief, General Crimes Section

24 STEPHEN A. CAZARES
25 Assistant United States Attorney
26 Deputy Chief, Major Frauds Section

27 ASHWIN JANAKIRAM
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1 SCOTT D. TENLEY
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2 Santa Ana Branch Office

3 JOSEPH WOODRING
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4 General Crimes Section

5 BRITTNEY M. HARRIS
Assistant United States Attorney
6 General Crimes Section

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