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CLERK U.S. DISTRICT COURT  
CENTRAL DIST. OF CALIF.  
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 UNITED STATES OF AMERICA

12 UNITED STATES DISTRICT COURT  
 13 FOR THE CENTRAL DISTRICT OF CALIFORNIA  
 14 SOUTHERN DIVISION

15 UNITED STATES OF AMERICA,  
 16 Plaintiff,  
 17 v.  
 18 PHILIP A. SOBOL,  
 19 Defendant.  
 20

No. **SACR15-00148**  
 15  
PLEA AGREEMENT FOR DEFENDANT  
PHILIP A. SOBOL

21 1. This constitutes the plea agreement between PHILIP A. SOBOL  
 22 ("defendant") and the United States Attorney's Office for the Central  
 23 District of California ("the USAO") in the above-captioned case.  
 24 This agreement is limited to the USAO and cannot bind any other  
 25 federal, state, local, or foreign prosecuting, enforcement,  
 26 administrative, or regulatory authorities.

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DEFENDANT'S OBLIGATIONS

2. Defendant agrees to:

a. Give up the right to indictment by a grand jury and, at the earliest opportunity requested by the USAO and provided by the Court, appear and plead guilty to a two-count information in the form attached to this agreement as Exhibit A or a substantially similar form, which charges defendant with Conspiracy, in violation of 18 U.S.C. § 371, and Interstate Travel in Aid of a Racketeering Enterprise, in violation of 18 U.S.C. § 1952.

b. Not contest facts agreed to in this agreement.

c. Abide by all agreements regarding sentencing contained in this agreement.

d. Appear for all court appearances, surrender as ordered for service of sentence, obey all conditions of any bond, and obey any other ongoing court order in this matter.

e. Not commit any crime; however, offenses that would be excluded for sentencing purposes under United States Sentencing Guidelines ("U.S.S.G." or "Sentencing Guidelines") § 4A1.2(c) are not within the scope of this agreement.

f. Be truthful at all times with Pretrial Services, the United States Probation Office, and the Court.

g. Pay the applicable special assessments at or before the time of sentencing unless defendant lacks the ability to pay and prior to sentencing submits a completed financial statement on a form to be provided by the USAO.

3. Defendant further agrees to make payment of half of the agreed-upon forfeited amounts and/or restitution (totaling \$5.2 million - one half equaling \$2.6 million) no later than 180 days of

1 the entry of his guilty plea, and the remainder no later than 30 days  
2 before his sentencing.

3 4. Defendant further agrees to cooperate fully with the USAO,  
4 the Federal Bureau of Investigation, the United States Postal  
5 Inspection Service - Office of the Inspector General, the Internal  
6 Revenue Service, and, as directed by the USAO, any other federal,  
7 state, local, or foreign prosecuting, enforcement, administrative, or  
8 regulatory authority. This cooperation requires defendant to:

9 a. Respond truthfully and completely to all questions  
10 that may be put to defendant, whether in interviews, before a grand  
11 jury, or at any trial or other court proceeding.

12 b. Attend all meetings, grand jury sessions, trials or  
13 other proceedings at which defendant's presence is requested by the  
14 USAO or compelled by subpoena or court order.

15 c. Produce voluntarily all documents, records, or other  
16 tangible evidence relating to matters about which the USAO, or its  
17 designee, inquires.

18 5. For purposes of this agreement: (1) "Cooperation  
19 Information" shall mean any statements made, or documents, records,  
20 tangible evidence, or other information provided, by defendant  
21 pursuant to defendant's cooperation under this agreement; and  
22 (2) "Plea Information" shall mean any statements made by defendant,  
23 under oath, at the guilty plea hearing and the agreed to factual  
24 basis statement in this agreement.

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THE USAO'S OBLIGATIONS

6. The USAO agrees to:

a. Not contest facts agreed to in this agreement.

b. Abide by all agreements regarding sentencing contained in this agreement.

c. At the time of sentencing, provided that defendant demonstrates an acceptance of responsibility for the offenses up to and including the time of sentencing, recommend a two-level reduction in the applicable Sentencing Guidelines offense level, pursuant to U.S.S.G. § 3E1.1, and recommend and, if necessary, move for an additional one-level reduction if available under that section.

d. Recommend that defendant be sentenced to a term of imprisonment and a fine no higher than the low end of the applicable Sentencing Guidelines range, provided that the offense level used by the Court to determine that range is 25 or higher and provided that the Court does not depart downward in offense level or criminal history category. For purposes of this agreement, the low end of the Sentencing Guidelines range is that defined by the Sentencing Table in U.S.S.G. Chapter 5, Part A.

7. Except for criminal tax violations (including conspiracy to commit such violations chargeable under 18 U.S.C. § 371), not to further criminally prosecute defendant for violations arising out of defendant's conduct described in the agreed-to factual basis set forth in paragraph 21 below. Defendant understands that the USAO is free to criminally prosecute defendant for any other unlawful past conduct or any unlawful conduct that occurs after the date of this agreement. Defendant agrees that at the time of sentencing the Court may consider the uncharged conduct in determining the applicable

1 Sentencing Guidelines range, the propriety and extent of any  
2 departure from that range, and the sentence to be imposed after  
3 consideration of the Sentencing Guidelines and all other relevant  
4 factors under 18 U.S.C. § 3553(a).

5 8. The USAO further agrees:

6 a. Not to offer as evidence in its case-in-chief in the  
7 above-captioned case or any other criminal prosecution that may be  
8 brought against defendant by the USAO, or in connection with any  
9 sentencing proceeding in any criminal case that may be brought  
10 against defendant by the USAO, any Cooperation Information.

11 Defendant agrees, however, that the USAO may use both Cooperation  
12 Information and Plea Information: (1) to obtain and pursue leads to  
13 other evidence, which evidence may be used for any purpose, including  
14 any criminal prosecution of defendant; (2) to cross-examine defendant  
15 should defendant testify, or to rebut any evidence offered, or  
16 argument or representation made, by defendant, defendant's counsel,  
17 or a witness called by defendant in any trial, sentencing hearing, or  
18 other court proceeding; and (3) in any criminal prosecution of  
19 defendant for false statement, obstruction of justice, or perjury.

20 b. Not to use Cooperation Information against defendant  
21 at sentencing for the purpose of determining the applicable guideline  
22 range, including the appropriateness of an upward departure, or the  
23 sentence to be imposed, and to recommend to the Court that  
24 Cooperation Information not be used in determining the applicable  
25 guideline range or the sentence to be imposed. Defendant  
26 understands, however, that Cooperation Information will be disclosed  
27 to the probation office and the Court, and that the Court may use  
28

1 Cooperation Information for the purposes set forth in U.S.S.G  
2 § 1B1.8(b) and for determining the sentence to be imposed.

3 c. In connection with defendant's sentencing, to bring to  
4 the Court's attention the nature and extent of defendant's  
5 cooperation.

6 d. If the USAO determines, in its exclusive judgment,  
7 that defendant has both complied with defendant's obligations under  
8 paragraphs 2 and 3 above and provided substantial assistance to law  
9 enforcement in the prosecution or investigation of another  
10 ("substantial assistance"), to move the Court pursuant to U.S.S.G.  
11 § 5K1.1 to fix an offense level and corresponding guideline range  
12 below that otherwise dictated by the sentencing guidelines, and to  
13 recommend a term of imprisonment at the low end of this reduced  
14 range.

15 DEFENDANT'S UNDERSTANDINGS REGARDING COOPERATION

16 9. Defendant understands the following:

17 a. Any knowingly false or misleading statement by  
18 defendant will subject defendant to prosecution for false statement,  
19 obstruction of justice, and perjury and will constitute a breach by  
20 defendant of this agreement.

21 b. Nothing in this agreement requires the USAO or any  
22 other prosecuting, enforcement, administrative, or regulatory  
23 authority to accept any cooperation or assistance that defendant may  
24 offer, or to use it in any particular way.

25 c. Defendant cannot withdraw defendant's guilty pleas if  
26 the USAO does not make a motion pursuant to U.S.S.G. § 5K1.1 for a  
27 reduced guideline range or if the USAO makes such a motion and the  
28

1 Court does not grant it or if the Court grants such a USAO motion but  
2 elects to sentence above the reduced range.

3 d. At this time the USAO makes no agreement or  
4 representation as to whether any cooperation that defendant has  
5 provided or intends to provide constitutes or will constitute  
6 substantial assistance. The decision whether defendant has provided  
7 substantial assistance will rest solely within the exclusive judgment  
8 of the USAO.

9 e. The USAO's determination whether defendant has  
10 provided substantial assistance will not depend in any way on whether  
11 the government prevails at any trial or court hearing in which  
12 defendant testifies or in which the government otherwise presents  
13 information resulting from defendant's cooperation.

14 NATURE OF THE OFFENSES

15 10. Defendant understands that for defendant to be guilty of  
16 the crime charged in count one, that is, Conspiracy, in violation of  
17 Title 18, United States Code, Section 371, the following must be  
18 true: (1) Beginning in or around 2005, and continuing to in or  
19 around April 2013, there was an agreement between two or more persons  
20 to commit Mail Fraud and Honest Services Mail Fraud, in violation of  
21 Title 18, United States Code, Sections 1341 and 1346 and Interstate  
22 Travel in Aid of a Racketeering Enterprise, in violation of Title 18,  
23 United States Code, Section 1952(a)(3); (2) defendant became a member  
24 of the conspiracy knowing of at least one of its objects and  
25 intending to help accomplish it; and (3) one of the members of the  
26 conspiracy performed at least one overt act for the purpose of  
27 carrying out the conspiracy.

28

1           11. Defendant understands that Mail Fraud, in violation of  
2 Title 18, United States Code, Section 1341, has the following  
3 elements: (1) the defendant knowingly devised or participated in a  
4 scheme or plan to defraud, or a scheme or plan for obtaining money or  
5 property by means of false or fraudulent pretenses, representations  
6 or promises; (2) the statements made or facts omitted as part of the  
7 scheme were material, that is, they had a natural tendency to  
8 influence, or were capable of influencing, a person to part with  
9 money or property; (3) the defendant acted with the intent to  
10 defraud; and (4) the defendant used, or caused to be used, the mails  
11 to carry out or attempt to carry out an essential part of the scheme.

12           12. Defendant further understands that Honest Services Mail  
13 Fraud, in violation of Title 18, United States Code, Section 1346,  
14 has the following elements: (1) the defendant devised or participated  
15 in a scheme or plan to deprive a patient of his or her right to  
16 honest services; (2) the scheme or plan consisted of a bribe or  
17 kickback in exchange for medical services; (3) a medical professional  
18 person owed a fiduciary duty to the patient; (4) the defendant acted  
19 with the intent to defraud by depriving the patient of his or her  
20 right of honest services; (5) the defendant's act was material, that  
21 is, it had a natural tendency to influence, or was capable of  
22 influencing, a person's acts; and (6) the defendant used, or caused  
23 someone to use, the mails to carry out or attempt to carry out the  
24 scheme or plan.

25           13. Defendant further understands that Interstate Travel in Aid  
26 of a Racketeering Enterprise, in violation of Title 18, United States  
27 Code, Section 1952(a)(3), has the following elements: (1) defendant  
28 used the mail or a facility of interstate commerce with the intent to



1 promote, manage, establish, or carry on, or facilitate the promotion,  
2 management, establishment, or carrying on, of unlawful activity,  
3 specifically payment and receipt of kickbacks in violation of  
4 California Business & Professions Code § 650, California Insurance  
5 Code § 750, and California Labor Code § 3215; and (2) after doing so,  
6 defendant performed or attempted to perform an act to promote,  
7 manage, establish, or carry on, or facilitate the promotion,  
8 management, establishment, or carrying on, of such unlawful activity.

9 PENALTIES AND RESTITUTION

10 14. Defendant understands that the statutory maximum sentence  
11 that the Court can impose for a violation of Title 18, United States  
12 Code, Section 371, is: 5 years imprisonment; a 3-year period of  
13 supervised release; a fine of \$250,000 or twice the gross gain or  
14 gross loss resulting from the offense, whichever is greatest; and a  
15 mandatory special assessment of \$100.

16 15. Defendant understands that the statutory maximum sentence  
17 that the Court can impose for a violation of Title 18, United States  
18 Code, Section 1952(a)(3), is: 5 years imprisonment; a 3-year period  
19 of supervised release; a fine of \$250,000 or twice the gross gain or  
20 gross loss resulting from the offense, whichever is greatest; and a  
21 mandatory special assessment of \$100.

22 16. Defendant understands, therefore, that the total maximum  
23 sentence for all offenses to which defendant is pleading guilty is:  
24 10 years imprisonment; a 3-year period of supervised release; a fine  
25 of \$500,000 or twice the gross gain or gross loss resulting from the  
26 offenses, whichever is greatest; and a mandatory special assessment  
27 of \$200.

1           17. Defendant understands that supervised release is a period  
2 of time following imprisonment during which defendant will be subject  
3 to various restrictions and requirements. Defendant understands that  
4 if defendant violates one or more of the conditions of any supervised  
5 release imposed, defendant may be returned to prison for all or part  
6 of the term of supervised release authorized by statute for the  
7 offense that resulted in the term of supervised release, which could  
8 result in defendant serving a total term of imprisonment greater than  
9 the statutory maximum stated above.

10           18. Defendant understands that, by pleading guilty, defendant  
11 may be giving up valuable government benefits and valuable civic  
12 rights, such as the right to vote, the right to possess a firearm,  
13 the right to hold office, and the right to serve on a jury.  
14 Defendant understands that once the court accepts defendant's guilty  
15 plea, it will be a federal felony for defendant to possess a firearm  
16 or ammunition. Defendant understands that the convictions in this  
17 case may also subject defendant to various other collateral  
18 consequences, including but not limited to revocation of probation,  
19 parole, or supervised release in another case and suspension or  
20 revocation of a professional license. Defendant understands that  
21 unanticipated collateral consequences will not serve as grounds to  
22 withdraw defendant's guilty plea.

23           19. Defendant understands that, if defendant is not a United  
24 States citizen, the felony convictions in this case may subject  
25 defendant to: removal, also known as deportation, which may, under  
26 some circumstances, be mandatory; denial of citizenship; and denial  
27 of admission to the United States in the future. The court cannot,  
28 and defendant's attorney also may not be able to, advise defendant

1 fully regarding the immigration consequences of the felony conviction  
2 in this case. Defendant understands that unexpected immigration  
3 consequences will not serve as grounds to withdraw defendant's guilty  
4 plea.

5 20. Defendant understands that defendant will be required to  
6 pay full restitution to the victims of the offenses to which  
7 defendant is pleading guilty. Defendant agrees that, in return for  
8 the USAO's compliance with its obligations under this agreement, the  
9 Court may order restitution to persons other than the victims of the  
10 offenses to which defendant is pleading guilty and in amounts greater  
11 than those alleged in the counts to which defendant is pleading  
12 guilty. In particular, defendant agrees that the Court may order  
13 restitution to any victim of any of the following for any losses  
14 suffered by that victim as a result: (a) any relevant conduct, as  
15 defined in U.S.S.G. § 1B1.3, in connection with the offenses to which  
16 defendant is pleading guilty; and (b) any charges not prosecuted  
17 pursuant to this agreement as well as all relevant conduct, as  
18 defined in U.S.S.G. § 1B1.3, in connection with those counts and  
19 charges. The parties agree that the amount of restitution due is  
20 \$5.2 million. The parties agree that any amount forfeited under this  
21 agreement and/or paid to victims in order to resolve civil claims  
22 arising from the conduct described in paragraph 21 below shall be  
23 credited towards defendant's payment of restitution, and that any  
24 amount paid as restitution shall be credited towards his forfeiture.

25 FACTUAL BASIS

26 21. Defendant admits that defendant is, in fact, guilty of the  
27 offenses to which defendant is agreeing to plead guilty. Defendant  
28 and the USAO agree to the statement of facts provided below and agree

1 that this statement of facts is sufficient to support pleas of guilty  
2 to the charges described in this agreement and to establish the  
3 Sentencing Guidelines factors set forth in paragraph 23 below but is  
4 not meant to be a complete recitation of all facts relevant to the  
5 underlying criminal conduct or all facts known to either party that  
6 relate to that conduct.

7 Pacific Hospital of Long Beach ("Pacific Hospital") was a  
8 hospital located in Long Beach, California, specializing in  
9 surgeries, particularly spinal and orthopedic surgeries. From at  
10 least in or around 1997 to October 2013, Pacific Hospital was owned  
11 and/or operated by Michael D. Drobot. Drobot also owned and/or  
12 operated Pacific Specialty Physician Management, Inc. ("PSPM"), a  
13 physician practice management company, and two companies that managed  
14 in-house pharmaceutical dispensary programs on behalf of physicians:  
15 California Pharmacy Management LLC ("CPM") and Industrial Pharmacy  
16 Management LLC ("IPM") (collectively, the "Dispensary Management  
17 Companies"). Beginning in or around 2003, Executive A operated CPM  
18 under the direction of Drobot, with CPM ceasing operations around  
19 2007. From 2007 to 2010, Drobot and Executive A together owned, and  
20 Executive A operated, IPM. From 2010 to at least November 2013,  
21 Executive A exclusively owned and operated IPM.

22 Beginning in or around 2005 and continuing to in or around April  
23 2013, in Orange and Los Angeles Counties, within the Central District  
24 of California, and elsewhere, defendant, Drobot, and Executive A,  
25 together with other co-conspirators known and unknown to the United  
26 States Attorney, knowingly combined, conspired, and agreed to commit  
27 the following offenses against the United States: Mail Fraud and  
28 Honest Services Mail Fraud, in violation of Title 18, United States

1 Code, Sections 1341 and 1346; and Interstate Travel in Aid of a  
2 Racketeering Enterprise, in violation of Title 18, United States  
3 Code, Section 1952(a)(3).

4 Specifically, beginning no later than 2005 and continuing  
5 through in or around April 2013, defendant conspired with Drobot,  
6 Executive A, and others working for Pacific Hospital, the Dispensary  
7 Management Companies, PSPM, and related companies, to exchange  
8 monetary kickbacks in return for the referral of patients to Pacific  
9 Hospital for surgical services paid for primarily through the  
10 California Workers' Compensation System ("CWCS"). In paying the  
11 kickbacks and submitting the resulting claims for the surgical  
12 services, the conspirators acted with the intent to defraud workers'  
13 compensation insurance carriers and to deprive the patients of their  
14 right of honest services.

15 As defendant knew, the hospital kickback scheme operated as  
16 follows: Drobot and other co-conspirators offered to pay kickbacks  
17 to doctors and chiropractors (the "kickback recipients") in return  
18 for their referring workers' compensation patients to Pacific  
19 Hospital for spinal surgeries, other types of surgeries, magnetic  
20 resonance imaging, toxicology, durable medical equipment, and other  
21 services which would be paid through the CWCS. Influenced by the  
22 promise of kickbacks, the kickback recipients referred patients  
23 insured through the CWCS to Pacific Hospital for spinal surgeries,  
24 other types of surgeries, and other medical services. The workers'  
25 compensation patients were not informed that the medical  
26 professionals had been offered kickbacks to induce them to refer the  
27 surgeries to Pacific Hospital.

28

1 Defendant knew that it was illegal to pay or receive kickbacks  
2 for the referral of patients for surgical services. Defendant's  
3 receipt of such illegal kickbacks was material to the insurance  
4 carriers who paid for the surgical services; it was also material to  
5 the patients, to whom defendant owed a fiduciary duty to disclose any  
6 financial conflicts of interest. However, as defendant knew, his co-  
7 conspirators deliberately did not disclose to the insurance carriers  
8 the kickback payments, and defendant did not disclose those payments  
9 to his patients.

10 Defendant, an orthopedic surgeon, owned Sobol Orthopedic Medical  
11 Group, Inc., ("Sobol Orthopedic") located in Pasadena. In 2005,  
12 defendant and Drobot entered into an agreement under which Drobot,  
13 through PSPM, would pay defendant \$75,000 every month for the option  
14 to buy the assets of Sobol Orthopedic. In return, defendant  
15 attempted to refer and often did refer his patients to Pacific  
16 Hospital. Specifically, defendant either performed surgeries on the  
17 patients at Pacific Hospital himself, or - particularly in the case  
18 of spine surgeries -referred them to other surgeons, with specific  
19 instructions to those surgeons that they were to perform the  
20 surgeries only at Pacific Hospital, if possible, as a condition of  
21 receiving the referrals. In 2008, the amount of the monthly payments  
22 was adjusted upward to \$100,000; in 2009, it was adjusted downward to  
23 \$60,000. In total, PSPM paid defendant \$2.18 million under this  
24 arrangement. In some cases, payments were made by CPM or IPM, rather  
25 than PSPM; from June 2005 to June 2008, those payments totaled  
26 approximately \$2.1 million.

27 Also in 2005, defendant, on behalf of Sobol Orthopedic, and  
28 Drobot, on behalf of IPM, entered into a "claims purchase agreement"

1 under which IPM would set up a mini-pharmacy in Sobol's office and  
2 pay Sobol Orthopedic \$70,000 per month to purchase all insurance  
3 claims for medications dispensed through the pharmacy. From 2005  
4 until 2011, IPM paid Sobol Orthopedic that amount every month. In  
5 January 2011, the option agreement with PSPM was terminated. In its  
6 place, and in return for defendant's continued referral of patients  
7 to Pacific Hospital, the claims purchase agreement with IPM was  
8 amended to provide for a monthly payment of \$130,000. Of that  
9 amount, \$60,000 was meant to replace the \$60,000 that was no longer  
10 paid by PSPM for the referral of the surgeries. IPM made those  
11 payments from February 2011 through December 2012. In total, from  
12 January 2011 forward, IPM made payments to defendant of \$960,000 in  
13 return for the spinal surgery referrals to Pacific Hospital.

14 In March 2013, to continue and conceal the referral arrangement,  
15 defendant and Drobot entered into another option agreement between  
16 Sobol Orthopedic and PSPM. That same month, under this arrangement,  
17 PSPM paid defendant \$80,000.

18 In furtherance of the conspiracy and to accomplish the objects  
19 of the conspiracy, defendant and other co-conspirators committed  
20 various overt acts within the Central District of California,  
21 including but not limited to the following:

22 Overt Act No. 1

23 On or about June 1, 2005, defendant and Drobot entered into an  
24 agreement under which Sobol Orthopedic gave PSPM an option to  
25 purchase the assets of Sobol Orthopedic in return for a monthly  
26 payment of \$75,000.

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1        Overt Act No. 2

2        In or about March 2006, defendant referred Patient A to Surgeon  
3 A for spinal surgery to be performed at Pacific Hospital.

4        Overt Act No. 3

5        On or about April, 2007, CPM mailed to Sobol Orthopedic a check  
6 for \$75,000.

7        Overt Act No. 4

8        On or about April 1, 2008, defendant and Drobot entered into an  
9 amendment to their 2005 option agreement under which the monthly  
10 payment was increased to \$100,000.

11       Overt Act No. 5

12       In or about November 2008, defendant referred Patient B to  
13 Surgeon B for spinal surgery to be performed at Pacific Hospital.

14       Overt Act No. 6

15       On or about December 2, 2008, PSPM mailed to Sobol Orthopedic a  
16 check for \$100,000.

17       Overt Act No. 7

18       On or about January 1, 2009, defendant and Drobot entered into  
19 an amendment to their 2005 option agreement under which the monthly  
20 payment was reduced to \$60,000.

21       Overt Act No. 8

22       In or about January 2010, defendant referred Patient C to  
23 Surgeon C for spinal surgery to be performed at Pacific Hospital.

24       Overt Act No. 9

25       On or about January 20, 2010, PSPM mailed to Sobol Orthopedic  
26 two checks for a total of \$60,000.

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1 forth in 18 U.S.C. § 3553(a). Defendant understands that the  
 2 Sentencing Guidelines are advisory only, that defendant cannot have  
 3 any expectation of receiving a sentence within the calculated  
 4 Sentencing Guidelines range, and that after considering the  
 5 Sentencing Guidelines and the other § 3553(a) factors, the Court will  
 6 be free to exercise its discretion to impose any sentence it finds  
 7 appropriate up to the maximum set by statute for the crimes of  
 8 conviction.

9 23. Defendant and the USAO agree to the following applicable  
 10 Sentencing Guidelines factors:

|    |                         |     |                             |
|----|-------------------------|-----|-----------------------------|
| 11 | Base Offense Level:     | 6   | [U.S.S.G. § 2B1.1(a)(2)]    |
| 12 | <u>Specific Offense</u> |     |                             |
| 13 | <u>Characteristics</u>  |     |                             |
| 14 | Loss between            |     |                             |
| 15 | \$3.5M and \$9.5M:      | +18 | [U.S.S.G. § 2B1.1(b)(1)(L)] |
| 16 | More than 10 victims:   | +2  | [U.S.S.G. § 2B1.1(b)(2)(B)] |
| 17 | Abuse of Trust:         | +2  | [U.S.S.G. § 3B1.3]          |
| 18 | Acceptance of           |     |                             |
| 19 | Responsibility:         | -3  | [U.S.S.G. § 3E1.1]          |
| 20 | <u>Total:</u>           | 25  |                             |

21 24. The USAO will agree to a two-level downward adjustment for  
 22 acceptance of responsibility (and, if applicable, move for an  
 23 additional one-level downward adjustment under U.S.S.G. § 3E1.1(b))  
 24 only if the conditions set forth in paragraph 2 and 3 are met.  
 25 Subject to paragraph 8 above and paragraph 36 below, defendant and  
 26 the USAO agree not to seek, argue, or suggest in any way, either  
 27 orally or in writing, that any other specific offense  
 28 characteristics, adjustments, or departures relating to the offense  
 level be imposed. Defendant agrees, however, that if, after signing

1 this agreement but prior to sentencing, defendant were to commit an  
2 act, or the USAO were to discover a previously undiscovered act  
3 committed by defendant prior to signing this agreement, which act, in  
4 the judgment of the USAO, constituted obstruction of justice within  
5 the meaning of U.S.S.G. § 3C1.1, the USAO would be free to seek the  
6 enhancement set forth in that section.

7 25. Defendant understands that there is no agreement as to  
8 defendant's criminal history or criminal history category.

9 26. Defendant and the USAO reserve the right to argue for a  
10 sentence outside the sentencing range established by the Sentencing  
11 Guidelines based on the factors set forth in 18 U.S.C. § 3553(a)(1),  
12 (a)(2), (a)(3), (a)(6), and (a)(7).

13 WAIVER OF CONSTITUTIONAL RIGHTS

14 27. Defendant understands that by pleading guilty, defendant  
15 gives up the following rights:

16 a. The right to persist in a plea of not guilty.

17 b. The right to a speedy and public trial by jury.

18 c. The right to be represented by counsel - and if  
19 necessary have the court appoint counsel - at trial. Defendant  
20 understands, however, that, defendant retains the right to be  
21 represented by counsel - and if necessary have the court appoint  
22 counsel - at every other stage of the proceeding.

23 d. The right to be presumed innocent and to have the  
24 burden of proof placed on the government to prove defendant guilty  
25 beyond a reasonable doubt.

26 e. The right to confront and cross-examine witnesses  
27 against defendant.

28

1 f. The right to testify and to present evidence in  
2 opposition to the charges, including the right to compel the  
3 attendance of witnesses to testify.

4 g. The right not to be compelled to testify, and, if  
5 defendant chose not to testify or present evidence, to have that  
6 choice not be used against defendant.

7 h. Any and all rights to pursue any affirmative defenses,  
8 Fourth Amendment or Fifth Amendment claims, and other pretrial  
9 motions that have been filed or could be filed.

10 WAIVER OF APPEAL OF CONVICTION

11 28. Defendant understands that, with the exception of an appeal  
12 based on a claim that defendant's guilty pleas were involuntary, by  
13 pleading guilty defendant is waiving and giving up any right to  
14 appeal defendant's convictions on the offenses to which defendant is  
15 pleading guilty.

16 LIMITED MUTUAL WAIVER OF APPEAL OF SENTENCE

17 29. Defendant agrees that, provided the Court imposes a total  
18 term of imprisonment on all counts of conviction of no more than the  
19 low end of the Guidelines range corresponding to a total offense  
20 level of 25 and the criminal history category determined by the  
21 Court, defendant gives up the right to appeal all of the following:  
22 (a) the procedures and calculations used to determine and impose any  
23 portion of the sentence; (b) the term of imprisonment imposed by the  
24 Court; (c) the fine imposed by the court, provided it is within the  
25 statutory maximum; (d) the amount and terms of any restitution order,  
26 provided it requires payment of no more than \$5.2 million; (e) the  
27 term of probation or supervised release imposed by the Court,  
28 provided it is within the statutory maximum; and (f) any of the

1 following conditions of probation or supervised release imposed by  
2 the Court: the conditions set forth in General Orders 318, 01-05,  
3 and/or 05-02 of this Court; the drug testing conditions mandated by  
4 18 U.S.C. §§ 3563(a)(5) and 3583(d); and the alcohol and drug use  
5 conditions authorized by 18 U.S.C. § 3563(b)(7).

6 30. The USAO agrees that, provided (a) all portions of the  
7 sentence are at or below the statutory maximum specified above and  
8 (b) the Court imposes a term of imprisonment of no less than the low  
9 end of the Guidelines range corresponding to an offense level of 25  
10 and the criminal history category determined by the Court, the USAO  
11 gives up its right to appeal any portion of the sentence, with the  
12 exception that the USAO reserves the right to appeal the following:  
13 the amount of restitution ordered if that amount is less than \$5.2  
14 million.

15 RESULT OF WITHDRAWAL OF GUILTY PLEA

16 31. Defendant agrees that if, after entering guilty pleas  
17 pursuant to this agreement, defendant seeks to withdraw and succeeds  
18 in withdrawing defendant's guilty pleas on any basis other than a  
19 claim and finding that entry into this plea agreement was  
20 involuntary, then (a) the USAO will be relieved of all of its  
21 obligations under this agreement, including in particular its  
22 obligations regarding the use of Cooperation Information; (b) in any  
23 investigation, criminal prosecution, or civil, administrative, or  
24 regulatory action, defendant agrees that any Cooperation Information  
25 and any evidence derived from any Cooperation Information shall be  
26 admissible against defendant, and defendant will not assert, and  
27 hereby waives and gives up, any claim under the United States  
28 Constitution, any statute, or any federal rule, that any Cooperation

1 Information or any evidence derived from any Cooperation Information  
2 should be suppressed or is inadmissible; and (c) should the USAO  
3 choose to pursue any charge or any civil, administrative, or  
4 regulatory action that was either dismissed or not filed as a result  
5 of this agreement, then (i) any applicable statute of limitations  
6 will be tolled between the date of defendant's signing of this  
7 agreement and the filing commencing any such action; and  
8 (ii) defendant waives and gives up all defenses based on the statute  
9 of limitations, any claim of pre-indictment delay, or any speedy  
10 trial claim with respect to any such action, except to the extent  
11 that such defenses existed as of the date of defendant's signing this  
12 agreement.

13 EFFECTIVE DATE OF AGREEMENT

14 32. This agreement is effective upon signature and execution of  
15 all required certifications by defendant, defendant's counsel, and an  
16 Assistant United States Attorney.

17 BREACH OF AGREEMENT

18 33. Defendant agrees that if defendant, at any time after the  
19 signature of this agreement and execution of all required  
20 certifications by defendant, defendant's counsel, and an Assistant  
21 United States Attorney, knowingly violates or fails to perform any of  
22 defendant's obligations under this agreement ("a breach"), the USAO  
23 may declare this agreement breached. For example, if defendant  
24 knowingly, in an interview, before a grand jury, or at trial, falsely  
25 accuses another person of criminal conduct or falsely minimizes  
26 defendant's own role, or the role of another, in criminal conduct,  
27 defendant will have breached this agreement. All of defendant's  
28 obligations are material, a single breach of this agreement is

1 sufficient for the USAO to declare a breach, and defendant shall not  
2 be deemed to have cured a breach without the express agreement of the  
3 USAO in writing. If the USAO declares this agreement breached, and  
4 the Court finds such a breach to have occurred, then:

5 a. If defendant has previously entered guilty pleas  
6 pursuant to this agreement, defendant will not be able to withdraw  
7 the guilty pleas.

8 b. The USAO will be relieved of all its obligations under  
9 this agreement; in particular, the USAO: (i) will no longer be bound  
10 by any agreements concerning sentencing and will be free to seek any  
11 sentence up to the statutory maximum for the crimes to which  
12 defendant has pleaded guilty; (ii) will no longer be bound by any  
13 agreements regarding criminal prosecution, and will be free to  
14 criminally prosecute defendant for any crime, including charges that  
15 the USAO would otherwise have been obligated not to criminally  
16 prosecute pursuant to this agreement; and (iii) will no longer be  
17 bound by any agreement regarding the use of Cooperation Information  
18 and will be free to use any Cooperation Information in any way in any  
19 investigation, criminal prosecution, or civil, administrative, or  
20 regulatory action.

21 c. The USAO will be free to criminally prosecute  
22 defendant for false statement, obstruction of justice, and perjury  
23 based on any knowingly false or misleading statement by defendant.

24 d. In any investigation, criminal prosecution, or civil,  
25 administrative, or regulatory action: (i) defendant will not assert,  
26 and hereby waives and gives up, any claim that any Cooperation  
27 Information was obtained in violation of the Fifth Amendment  
28 privilege against compelled self-incrimination; and (ii) defendant

1 agrees that any Cooperation Information and any Plea Information, as  
2 well as any evidence derived from any Cooperation Information or any  
3 Plea Information, shall be admissible against defendant, and  
4 defendant will not assert, and hereby waives and gives up, any claim  
5 under the United States Constitution, any statute, Rule 410 of the  
6 Federal Rules of Evidence, Rule 11(f) of the Federal Rules of  
7 Criminal Procedure, or any other federal rule, that any Cooperation  
8 Information, any Plea Information, or any evidence derived from any  
9 Cooperation Information or any Plea Information should be suppressed  
10 or is inadmissible.

11 34. Following the Court's finding of a knowing breach of this  
12 agreement by defendant, should the USAO choose to pursue any charge  
13 or any civil, administrative, or regulatory action that was either  
14 dismissed or not filed as a result of this agreement, then:

15 a. Defendant agrees that any applicable statute of  
16 limitations is tolled between the date of defendant's signing of this  
17 agreement and the filing commencing any such action.

18 b. Defendant waives and gives up all defenses based on  
19 the statute of limitations, any claim of pre-indictment delay, or any  
20 speedy trial claim with respect to any such action, except to the  
21 extent that such defenses existed as of the date of defendant's  
22 signing this agreement.

23 COURT AND PROBATION OFFICE NOT PARTIES

24 35. Defendant understands that the Court and the United States  
25 Probation Office are not parties to this agreement and need not  
26 accept any of the USAO's sentencing recommendations or the parties'  
27 agreements to facts or sentencing factors.



1           36. Defendant understands that both defendant and the USAO are  
2 free to: (a) supplement the facts by supplying relevant information  
3 to the United States Probation Office and the Court, and (b) correct  
4 any and all factual misstatements relating to the Court's Sentencing  
5 Guidelines calculations and determination of sentence. While this  
6 paragraph permits both the USAO and defendant to submit full and  
7 complete factual information to the United States Probation Office  
8 and the Court, even if that factual information may be viewed as  
9 inconsistent with the facts agreed to in this agreement, this  
10 paragraph does not affect defendant's and the USAO's obligations not  
11 to contest the facts agreed to in this agreement.

12           37. Defendant understands that even if the Court ignores any  
13 sentencing recommendation, finds facts or reaches conclusions  
14 different from those agreed to, and/or imposes any sentence up to the  
15 maximum established by statute, defendant cannot, for that reason,  
16 withdraw defendant's guilty pleas, and defendant will remain bound to  
17 fulfill all defendant's obligations under this agreement. Defendant  
18 understands that no one -- not the prosecutor, defendant's attorney,  
19 or the Court -- can make a binding prediction or promise regarding  
20 the sentence defendant will receive, except that it will be within  
21 the statutory maximum.

22   NO ADDITIONAL AGREEMENTS

23           38. Defendant understands that, except as set forth herein,  
24 there are no promises, understandings, or agreements between the USAO  
25 and defendant or defendant's attorney, and that no additional  
26 promise, understanding, or agreement may be entered into unless in a  
27 writing signed by all parties or on the record in court.

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PLEA AGREEMENT PART OF THE GUILTY PLEA HEARING

39. The parties agree that this agreement will be considered part of the record of defendant's guilty plea hearing as if the entire agreement had been read into the record of the proceeding.

AGREED AND ACCEPTED

UNITED STATES ATTORNEY'S OFFICE  
FOR THE CENTRAL DISTRICT OF  
CALIFORNIA

EILEEN M. DECKER  
United States Attorney



JOSHUA M. ROBBINS  
Assistant United States Attorney

11/20/15

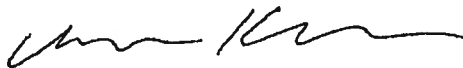
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PHILIP A. SOBOL  
Defendant

11-20-15

Date



CHARLES L. KREINDLER  
Attorney for Defendant  
Philip A. Sobol

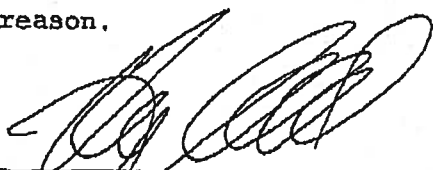
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CERTIFICATION OF DEFENDANT

I have read this agreement in its entirety. I have had enough time to review and consider this agreement, and I have carefully and thoroughly discussed every part of it with my attorney. I understand the terms of this agreement, and I voluntarily agree to those terms. I have discussed the evidence with my attorney, and my attorney has advised me of my rights, of possible pretrial motions that might be filed, of possible defenses that might be asserted either prior to or at trial, of the sentencing factors set forth in 18 U.S.C. § 3553(a), of relevant Sentencing Guidelines provisions, and of the consequences of entering into this agreement. No promises, inducements, or representations of any kind have been made to me other than those contained in this agreement. No one has threatened or forced me in any way to enter into this agreement. I am satisfied with the representation of my attorney in this matter, and I am pleading guilty because I am guilty of the charges and wish to take advantage of the promises set forth in this agreement, and not for any other reason.


  
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PHILIP A. SOBOL  
Defendant

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CERTIFICATION OF DEFENDANT'S ATTORNEY

I am PHILIP A. SOBOL's attorney. I have carefully and thoroughly discussed every part of this agreement with my client. Further, I have fully advised my client of his rights, of possible pretrial motions that might be filed, of possible defenses that might be asserted either prior to or at trial, of the sentencing factors set forth in 18 U.S.C. § 3553(a), of relevant Sentencing Guidelines provisions, and of the consequences of entering into this agreement. To my knowledge: no promises, inducements, or representations of any kind have been made to my client other than those contained in this agreement; no one has threatened or forced my client in any way to enter into this agreement; my client's decision to enter into this agreement is an informed and voluntary one; and the factual basis set forth in this agreement is sufficient to support my client's entry of guilty pleas pursuant to this agreement.

  
\_\_\_\_\_  
CHARLES L. KREINDLER  
Attorney for Defendant  
PHILIP A. SOBOL

11/20/15  
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UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA  
SOUTHERN DIVISION

UNITED STATES OF AMERICA,  
Plaintiff,  
v.  
PHILIP A. SOBOL,  
Defendant.

SA CR No. 15-

I N F O R M A T I O N

[18 U.S.C. § 374: Conspiracy; 18  
U.S.C. § 1952(a)(3): Interstate  
Travel in Aid of Racketeering]

The United States Attorney charges:

COUNT ONE

[18 U.S.C. § 371]

A. INTRODUCTORY ALLEGATIONS

At all times relevant to this Information:

1. Healthsmart Pacific Inc., doing business as Pacific Hospital of Long Beach ("Pacific Hospital"), was a hospital located in Long Beach, California, specializing in surgeries, particularly spinal and orthopedic surgeries. From at least in or around 1997 to October 2013, Pacific Hospital was owned and/or operated by Michael D. Drobot ("Drobot").

1           2.     International Implants LLC ("I2") was a limited liability  
2 company owned and operated by Drobot that was located in Newport  
3 Beach, California. I2 purchased implantable medical devices  
4 ("hardware") for use in spinal surgeries from original manufacturers  
5 and sold them to hospitals, particularly Pacific Hospital.

6           3.     Pacific Specialty Physician Management, Inc. ("PSPM") was a  
7 California corporation, owned and operated by Drobot, that was  
8 located in Newport Beach, California.

9           4.     Industrial Pharmacy Management LLC ("IPM") was a limited  
10 liability company, owned and operated by Drobot and Executive A.

11           5.     California Pharmacy Management LLC ("CPM") was a limited  
12 liability company, owned and operated by Drobot and Executive A.

13           6.     Sobol Orthopedic Medical Group, Inc. ("Sobol Orthopedic")  
14 was a California corporation, owned and operated by defendant PHILIP  
15 A. SOBOL, that was located in Pasadena, California.

16           7.     The California Workers' Compensation System ("CWCS") was a  
17 system created by California law to provide insurance covering  
18 treatment of injury or illness suffered by individuals in the course  
19 of their employment. Under the CWCS, employers were required to  
20 purchase workers' compensation insurance policies from insurance  
21 carriers to cover their employees. When an employee suffered a  
22 covered injury or illness and received medical services, the medical  
23 service provider submitted a claim for payment to the relevant  
24 insurance carrier, which then paid the claim. Claims were submitted  
25 to and paid by the insurance carriers either by mail or  
26 electronically. The CWCS was governed by various California laws and  
27 regulations.



1 transfer from the U.S. Treasury in Philadelphia, Pennsylvania, to the  
2 medical service provider.

3 11. Federal law prohibited the offering, delivering,  
4 soliciting, or receiving of anything of value in return for referring  
5 a patient for medical services paid for by a federal health care  
6 benefit program.

7 B. OBJECTS OF THE CONSPIRACY

8 12. Beginning in or around 2005 and continuing to in or around  
9 April 2013, in Orange and Los Angeles Counties, within the Central  
10 District of California, and elsewhere, defendant SOBOL, together with  
11 Drobot, Executive A, and other co-conspirators known and unknown to  
12 the United States Attorney, knowingly combined, conspired, and agreed  
13 to commit the following offenses against the United States: Mail  
14 Fraud and Honest Services Mail Fraud, in violation of Title 18,  
15 United States Code, Sections 1341 and 1346; and Interstate Travel in  
16 Aid of a Racketeering Enterprise, in violation of Title 18, United  
17 States Code, Section 1952(a)(3).

18 C. MANNER AND MEANS OF THE CONSPIRACY

19 13. The objects of the conspiracy were to be carried out, and  
20 were carried out, in the following ways, among others:

21 a. Drobot, Executive A, and other co-conspirators offered  
22 to pay kickbacks to doctors, chiropractors, workers' compensation and  
23 personal injury attorneys, marketers, and others for referring  
24 workers' compensation patients to Pacific Hospital for spinal  
25 surgeries and other medical services, to be paid primarily through  
26 the CWCS and the FECA. For spinal surgeries, typically, Drobot  
27 offered to pay a kickback of \$15,000 per lumbar fusion surgery and  
28



1 lower amount per cervical fusion surgery, provided that equipment  
2 distributed through I2 was used in the surgery.

3           b. Influenced by the promise of kickbacks, doctors,  
4 chiropractors, workers' compensation and personal injury attorneys,  
5 marketers, and others referred patients insured through the CWCS and  
6 the FECA to Pacific Hospital for spinal surgeries, other types of  
7 surgeries, and other medical services. In some cases, doctors,  
8 chiropractors, or others referred patients to spinal surgeons, with  
9 instructions that the referrals were conditioned on the spinal  
10 surgeons' performing the surgeries at Pacific Hospital. The workers'  
11 compensation patients were not informed that the medical  
12 professionals had been offered kickbacks to induce them to refer the  
13 surgeries and other medical services to Pacific Hospital. That  
14 information would have been material to those patients, to whom the  
15 doctors owed a fiduciary duty to disclose any financial conflicts of  
16 interest.

17           c. The surgeries and other medical services were  
18 performed on the referred workers' compensation patients at Pacific  
19 Hospital.

20           d. Pacific Hospital submitted claims, by mail and  
21 electronically, to SCIF and other workers' compensation insurance  
22 carriers for payment of the costs of the surgeries and other medical  
23 services.

24           e. As the co-conspirators knew and intended, and as was  
25 reasonably foreseeable to them, in submitting claims for payment,  
26 Pacific Hospital concealed material information from SCIF and other  
27 workers' compensation insurance carriers, including the fact that  
28

1 Pacific Hospital had offered or paid kickbacks for the referral of  
2 the surgeries and other medical services for which it was submitting  
3 claims.

4 f. The insurance carriers paid Pacific Hospital's claims,  
5 by mail or electronically.

6 g. Drobot and other co-conspirators paid and caused  
7 others to pay kickbacks to doctors, chiropractors, workers'  
8 compensation and personal injury attorneys, marketers, and others who  
9 had referred patients to Pacific Hospital for surgeries and other  
10 medical services.

11 h. To conceal the nature of the kickback payments from  
12 both workers' compensation insurance carriers and patients, in 2005,  
13 defendant SOBOL and Drobot entered into an agreement under which  
14 Drobot, through PSPM, would pay defendant SOBOL \$75,000 every month  
15 for the option to buy the assets of Sobol Orthopedic. In return,  
16 defendant SOBOL attempted to refer and often did refer his patients  
17 to Pacific Hospital. Specifically, defendant SOBOL either performed  
18 surgeries on the patients at Pacific Hospital himself, or -  
19 particularly in the case of spine surgeries - referred them to other  
20 surgeons, with specific instructions to those surgeons that they were  
21 to perform the surgeries only at Pacific Hospital as a condition of  
22 receiving the referrals. In 2008, the amount of the monthly payments  
23 was adjusted upward to \$100,000; in 2009, it was adjusted downward to  
24 \$60,000. In total, PSPM paid defendant SOBOL \$2.18 million under  
25 this arrangement. In some cases, payments were made by CPM or IPM,  
26 rather than PSPM; from June 2005 to June 2008, those payments totaled  
27 approximately \$2.1 million.

1           i. Also in 2005, defendant SOBOL, on behalf of Sobol  
2 Orthopedic, and Drobot, on behalf of IPM, entered into a "claims  
3 purchase agreement" under which IPM would set up a mini-pharmacy in  
4 defendant SOBOL's office and pay Sobol Orthopedic \$70,000 per month  
5 to purchase all insurance claims for medications dispensed through  
6 the pharmacy. From 2005 until 2011, IPM paid Sobol Orthopedic that  
7 amount every month. In January 2011, the option agreement with PSPM  
8 was terminated. In its place, and in return for defendant SOBOL's  
9 continued referral of patients to Pacific Hospital, the claims  
10 purchase agreement with IPM was amended to provide for a monthly  
11 payment of \$130,000. Of that amount, \$60,000 was meant to replace  
12 the \$60,000 that was no longer paid by PSPM for the referral of the  
13 surgeries. IPM made those payments from February 2011 through  
14 December 2012. In total, IPM made payments to defendant SOBOL of  
15 \$960,000 in return for the spinal surgery referrals to Pacific  
16 Hospital.

17           j. In March 2013, to continue and conceal the referral  
18 arrangement, defendant SOBOL and Drobot entered into another option  
19 agreement between Sobol Orthopedic and PSPM. That same month, under  
20 this arrangement, PSPM paid defendant SOBOL \$80,000.

21 D. EFFECTS OF THE CONSPIRACY

22           14. Had SCIF and the other workers' compensation insurance  
23 carriers known the true facts regarding the payment of kickbacks for  
24 the referral of workers' compensation patients for surgeries and  
25 other medical services performed at Pacific Hospital, they would not  
26 have paid the claims or would have paid a lesser amount.





1           17. Overt Acts 3, 6, 9, and 12, which defendant SOBOL aided,  
2 abetted, counseled, encouraged, and caused to be performed, involved  
3 the use of the mails in furtherance of unlawful activity,  
4 specifically payment and receipt of kickbacks in violation of  
5 California Business & Professions Code § 650, California Insurance  
6 Code § 750, and California Labor Code § 3215.

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COUNT TWO

[18 U.S.C. §§ 1952(a)(3), 2(a)]

18. Paragraphs one through thirty of this Information are re-alleged and incorporated as if fully set forth herein.

19. On or about the date set forth below, in Orange and Los Angeles Counties, within the Central District of California, and elsewhere, defendant SOBOL used and aided, abetted, and caused others to use, the mail and facilities of interstate commerce as described below, with the intent to promote, manage, establish, carry on, and facilitate the promotion, management, establishment, and carrying on of an unlawful activity, that is, kickbacks in violation of California Business & Professions Code § 650, California Insurance Code § 750, and California Labor Code § 3215: On or about May 24, 2012, IPM mailed to Sobol Orthopedic a check for \$140,000.

20. After that mailing took place, defendant performed and attempted to perform and caused the performance of an act to distribute the proceeds of, to promote, manage, establish, and carry on, and to facilitate the promotion, management, establishment, and carrying on of such unlawful activity as follows: In or about

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