

NURSING HOME MANAGEMENT AGREEMENT

BETWEEN

MCCULLOCH COUNTY HOSPITAL DISTRICT

("Government Entity")

AND

HEALTHCARE SUPPORT MANAGEMENT, LLC

("HSM")

EXECUTED AS OF JUNE 1, 2014

NURSING HOME MANAGEMENT AGREEMENT

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McCulloch County Hospital District

AND

Healthcare Support Management, LLC

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NURSING HOME MANAGEMENT AGREEMENT

THIS NURSING HOME MANAGEMENT AGREEMENT ("Agreement") is effective as of the 1st day of June, 2014 ("Effective Date"), by and between MCCULLOCH COUNTY HOSPITAL DISTRICT, a body politic and corporate and a political subdivision of the State of Texas ("Government Entity"), and HEALTHCARE SUPPORT MANAGEMENT, LLC, ("HSM"), a Texas limited liability corporation.

RECITALS:

WHEREAS, Government Entity is engaged in the business of, among other things, operating licensed health care facilities, and HSM is engaged in the business of managing licensed health care facilities;

WHEREAS, simultaneously with the execution of this Agreement, Government Entity (the "Lessee") and Fourcooks Realty LLC (the "Lessor") are entering into a Lease of the real and tangible personal property (the "Lease Agreement") associated with the licensed health facility known as Crane Nursing and Rehabilitation Center (the "Facility"), located at 699 Campus Drive, Crane, Texas 79731;

WHEREAS, prior to the Lease Agreement to Lessee, the Facility was operated by Lessor;

WHEREAS, Government Entity desires to engage HSM to manage the Facility on behalf of Government Entity, and HSM desires to manage the Facility on behalf of Government Entity, in accordance with the terms and conditions of this Agreement; and

WHEREAS, HSM is authorized by Government Entity to contract with a Nursing Home Operator for the operation of Facility.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE 1 -- DEFINITION OF TERMS

The following terms when used in this Agreement shall have the meanings indicated:

"Accounting Period" means a calendar month.

"Affiliate" means an entity that controls or owns, or is directly or indirectly controlled or owned by, either HSM or Government Entity.

"Agreement" shall mean this Operating Agreement as provided herein.

"Annual Operating Budget" operating budget developed to determine fee payments to nursing facility and create parameters on the financial operations of the facility.

"Default" shall have the meaning with respect to Government Entity or HSM, as the case may be, that defines the occurrences that would result in punitive actions against the defaulting party.

"Effective Date" shall have the meaning set forth in the first sentence of this Agreement.

"Emergency Working Capital" funds that may be provided by the Government Entity to be used for emergency situations, where residential services are put in jeopardy where the net patient revenues are not sufficient to cover the cost of mitigating the emergency situation.

"Employment Laws" means any federal, state or local law (including the common law), statute, ordinance, rule, regulation, order or directive with respect to employment, conditions of employment, benefits, compensation, or termination of employment that currently exists or may exist at any time during the Term of this Agreement, including, but not limited to, the Family Medical Leave Act, the Fair Labor Standards Act, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Workers Adjustment and Retraining Act, the Occupational Safety and Health Act, the Immigration Reform and Control Act of 1986, and the Americans With Disabilities Act of 1990.

"Environmental Laws" shall mean: (i) the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq., as now or hereafter amended and the Resource Conservation and Recovery Act of 1976, as now or hereafter amended; (ii) the regulations promulgated thereunder, from time to time; and (iii) all federal, state and local laws, rules and regulations (now or hereafter in effect) dealing with the use, generation, treatment, management, storage, disposal or abatement of Hazardous Materials.

"Event of Default" shall have the meaning with respect to Government Entity or HSM, where one party or the other has an event that could lead to defined outcomes such as termination of the agreement.

"Extended Term" the automatic extension clause for successive two year periods as defined in Section 3.1.

"Fiscal Year - Licensor" means (i) the period commencing on the Effective Date and ending on March 31, 2015, (ii) the period April 1st through March 31st thereafter, and (iii) that period commencing on March 1st and ending on the last day of the Term of this Agreement.. This fiscal year is for Government Entity.

"Fiscal Year - HSM" means (i) the period commencing on the Effective Date and ending on December 31, 2013, (ii) the period January 1st through December 31st thereafter, and (iii) that period commencing on January 1st and ending on the last day of the Term of this Agreement.

"Fiscal Year – Lessor" means (i) the period commencing on the Effective Date and ending on December 31, 2015, (ii) the period January 1st through December 31st thereafter, and (iii) that period commencing on January 1st and ending on the last day of the Term of this Agreement.

"GAAP" means generally accepted accounting principles in the United States.

"HSM" shall have the meaning set forth in the first sentence of this Agreement.

"Impositions" means all real estate and personal property taxes, levies, assessments and similar charges including, without limitation, the following: all water, sewer or similar fees, rents, rates, charges, excises or levies; vault license fees or rentals; license fees; permit fees; inspection fees and other authorization fees and other governmental fees, whether general or special, ordinary or extraordinary, foreseen or unforeseen, or hereinafter levied or assessed (including all interest and penalties thereon), which at any time during or in respect of the Term of this Agreement may be assessed, levied, confirmed or imposed on Landlord, Government Entity, or HSM with respect to the Facility or the operation thereof, or otherwise in respect of or be a lien upon the Facility or any property of Landlord or Government Entity located thereon. Impositions shall not include any income or franchise taxes payable by Landlord, Government Entity or HSM.

"Initial Term" June 1, 2014 through September 30, 2014.

"Interest Expense" shall have the meaning ascribed to that term under GAAP.

"Inventories and Supplies" means all provisions in storerooms, refrigerators, pantries and kitchens, medical supplies, other merchandise intended for sale, fuel, mechanical supplies, stationery, linen, utensils, dishware, glassware, flatware, uniforms, rugs, drapes, bedspreads, wall and floor coverings, mats, shower curtains, janitorial equipment and supplies, and other expenses, supplies and similar items.

"Landlord" the entity who owns the facility and is a consenting party to the Lease Agreement.

"Legal Requirements" means (i) any law, code, rule, ordinance or regulation applicable to Government Entity or, HSM concerning operation of the Facility thereof; and (ii) any order of any governmental authority having jurisdiction over, Government Entity, HSM and/ or the Facility or the operation thereof.

"Lender" means and refers to any third party financing of the Facility prior to the Effective Date.

"Lessor" Fourcooks Realty LLC is the leasing entity on the facility lease.

"Licenser" means Government Entity, which is the owner of Lessor's Medicaid and Medicare license who has contracted for nursing home operation.

"License" means any license, permit, decree, act, order, authorization or other approval or instrument which is necessary in order to operate the Facility in accordance with the Legal Requirements or otherwise in accordance with this Agreement.

"Litigation" means: (i) any cause of action commenced in a federal, state or local court in the United States relating to the Facility and/or the ownership or operation thereof; and (ii) any claim brought before an administrative agency or body (for example, without limitation, employment discrimination claims) relating to the Facility and/or the ownership or operation thereof.

"Net Patient Revenue" shall mean, for each Accounting Period, the difference between:

(i) the income from monthly occupancy fees, health care fees and ancillary services fees received pursuant to various agreements with residents of the Facility; income from food and beverage, and catering sales at the Facility; income from vending machines located at the Facility; and proceeds, if any, from business interruption or other loss of income insurance claims made with respect to the Facility; less

(ii) amounts refunded, adjusted, owed or credited to residents or third parties (including but not limited to third party or governmental payors) as a result of contractual allowances, erroneous payments, overpayments or for any other reason, including, without limitation, any claims, assessments, adjustments or other amounts required to be paid; gratuities to employees at the Facility; and any cash refunds, rebates or discounts to residents of the Facility, cash discounts and credits of a similar nature, given, paid or returned in the course of obtaining Net Patient Revenue or components thereof.

The calculation of Net Patient Revenue shall be made using the accrual method of accounting in accordance with GAAP. Without limiting the foregoing, the following amounts shall not be taken into account in computing Net Patient Revenue:

(i) federal, state or municipal excise, sales or use taxes or similar taxes imposed at the point of sale and collected directly from residents or guests or the Facility or included as part of the sales price of any goods or services; (ii) proceeds from the sale of any capital asset; (iii) interest received or accrued with respect to any funds or investments, including, without limitation, funds in any operating reserve account, working capital account or any other accounts established in the name of Government Entity or for the benefit of the Facility; (iv) proceeds, income of any financing or refinancing of the Facility or any portion thereof, and (v) proceeds of any insurance policy or condemnation or other taking.

"Nursing Home Operator" shall mean, McGregor Senior Care LLC, and shall also be referred to as "Nursing Home" throughout this Agreement.

"Operating Expenses" means any or all, as the context requires, of the following: (i) all costs and expenses incurred in connection with the ownership, operation, management and maintenance of the Facility, including, without limitation, all departmental expenses, personnel costs, administrative and general expenses, advertising and business promotion expenses, heat,

light, power, electricity, gas, telephone, television and other utilities, and routine repairs, maintenance and minor alterations treated as Operating Expenses; (ii) the cost of Inventories and Supplies consumed in the operation of the Facility; (iii) a reasonable reserve for uncollectible accounts receivable as determined by HSM in accordance with GAAP; (iv) the cost and expense of audit, accounting, legal, technical, and other professional consultants and operational experts who are retained by HSM, relating to the Facility and/or the ownership or operation thereof; (v) costs and expenses for preparation of Medicare and Medicaid cost reports and billing submissions; (vi) insurance costs; (vii) any and all Impositions, excluding any federal or state income taxes or franchise assessed against Government Entity or HSM and based on their net income or net worth; (viii) those costs and expenses that are expressly identified as Operating Expenses in this Agreement; and (ix) any other non-capital costs and expenses incurred as are specifically provided for elsewhere in this Agreement or are reasonably necessary for the proper and efficient operation of the Facility.

"Other Revenue" means funds provided by Government Entity in its sole discretion from the net proceeds, income or revenues derived from increased Medicaid payments or payment adjustments distributed to Government Entity from the United States of America or the State of Texas for non-state government operated nursing facilities and which are distributed by Government Entity into the HSM Operating Account.

"Subordinated Fee" fee paid from the collections of other revenues.

"Term" means the Initial Term plus any Extended Term.

"Termination" means the circumstances that would result in the termination of this Agreement.

ARTICLE 2 -- APPOINTMENT OF OPERATION TO NURSING HOME

2.1 Appointment

2.1.1 On and subject to the terms of this Agreement, Government Entity hereby consents to HSM appointment of Nursing Home Operator commencing on the Effective Date to manage and operate the Facility on behalf of Government Entity through the Term of this Agreement and HSM agreement with Nursing Home.

2.1.2 The performance of all oversight activities by HSM hereunder shall be on behalf of Government Entity. By entering into this Agreement, Government Entity does not delegate to HSM any powers, duties or responsibilities that Government Entity is not authorized by law to delegate, nor does HSM assume operating responsibility of the Facility.

2.2 Authority and Responsibility of HSM

2.2.1 In the performance of its duties hereunder, HSM will be, and act as, an independent contractor, with the sole duty to supervise, monitor, and oversee the

performance of the Nursing Home operation of Facility, for the benefit of and subject to the rights of Government Entity and other restrictions described herein. Nothing contained in this Agreement shall be deemed or construed to create a partnership, joint venture, employment relationship, or otherwise to create any liability for one party with respect to indebtedness, liabilities or obligations of the other party except as otherwise may be expressly set forth herein.

- 2.2.2 HSM will perform its duties and obligations using reasonable care and in accordance with Legal Requirements.
- 2.2.3 Subject to Section 2.2.2 and Section 2.3 and except as otherwise provided herein, HSM will have the authority to oversee (but not operate) the Facility in accordance with the Annual Operating Budget negotiated between HSM and Nursing Home and approved by HSM and Government Entity and all applicable Legal Requirements. Without limiting the foregoing, HSM will perform the following subject to Government Entity's ultimate oversight, review and responsibility:
 - 2.2.3.1 Assist, monitor and ensure that Nursing Home takes all reasonable steps to keep in full force and effect, in the name of Government Entity, or as may be required by the Legal Requirements, any and all licenses and permits necessary for the operation of the Facility;
 - 2.2.3.2 Oversee and confirm, and periodically revise as necessary, resident care and health care policies and procedures and general administrative policies and procedures, including, without limitation, policies and procedures for the control of revenue and expenditures (which shall be subject to Government Entity approval), for the purchasing of supplies and services, for the control of credit, and for the scheduling of maintenance;
 - 2.2.3.3 Facilitate the collection and deposit of all Net Patient Revenue and Other Revenue to the Licensor Operating Account and the HSM Operating Account as provided in this Agreement and contractually require and monitor of Nursing Home the cash flow of the Facility, including, without limitation, billing all patients and governmental or other third-party payors for all services provided by or at the Facility, collecting all Net Patient Revenue and paying Operating Expenses and other accounts payable related to the operation of the Facility;
 - 2.2.3.4 Ensure Nursing Home maintains all books and records relating to the operation of the Facility and prepare monthly and annual financial statements for the Facility on a GAAP basis or such other basis as reasonably determined by Nursing Home and HSM, and in consultation with Government Entity, and consistently applied;

- 2.2.3.5 Monitor the procurement of Inventories and Supplies and such other non-capital items, and any services from third-parties, as are necessary to keep, operate and maintain the Facility;
- 2.2.3.6 Ensure Nursing Home prepare, keep, and provide Government Entity and/or Lessor with access to all contracts, books, records, documents, policies and other information necessary for the lawful operation and sound financial management of the Facility;
- 2.2.3.7 Require Nursing Home to establish prices, rates and charges for services provided at the Facility (any changes to be approved by the Government Entity) and negotiate all third party payor contracts consistent with industry benchmarks;
- 2.2.3.8 Require Nursing Home to retain all professionals to provide necessary audit, accounting, legal, cost reporting and other professional services in connection with the operation of the Facility;
- 2.2.3.9 Require Nursing Home to retain all necessary contractors or vendors for ancillary medical, diagnostics, laboratory, pharmacy, social, therapy, dietary, dental, podiatry, behavioral or other required health services;
- 2.2.3.10 Require Nursing Home to retain professionals for risk management services relating to the types of insurance required to be maintained by HSM, Lessor, or Government Entity under this Agreement;
- 2.2.3.11 Require Nursing Home to reasonably cooperate, participate in and be responsible for any survey, inspection or site investigation or accreditation process conducted by a governmental, regulatory, certifying or accrediting entity with authority or jurisdiction over the Facility, and implement any official findings of such reviews;
- 2.2.3.12 Require Nursing Home to reasonably cooperate and assist Government Entity and/or Lessor with any legal dispute in which Government Entity and/or Lessor is involved relating to the ownership, management or operation of the Facility;
- 2.2.3.13 Require Nursing Home to reasonably cooperate with Government Entity and/or Lessor and its certified public accountants in connection with any audit, review or reports conducted or prepared in connection with the ownership or operation of the Facility;
- 2.2.3.14 Require Nursing Home to market and advertise the Facility;
- 2.2.3.15 Require Nursing Home to manage and replenish Inventories and Supplies;

- 2.2.3.16 Require Nursing Home to ensure the performance of all covenants, duties and obligations of Government Entity and HSM pursuant to all agreements with residents;
- 2.2.3.17 Require Nursing Home to execute, negotiate, renew and/or cancel agreements with residents of the Facility in accordance with Legal Requirements;
- 2.2.3.18 Upon promulgation of final regulations require Nursing Home to operate the Facility in accordance with any quality assessment performance improvement program and a compliance plan formally adopted and maintained by Government Entity and/or Lessor to ensure that the operation of the Facility, the delivery of services to residents and the billing and collection of reimbursement are all accomplished in compliance with the laws, regulations, rules, policies and procedures of any federal, state or other regulatory body or agency having authority or jurisdiction over the Facility;
- 2.2.3.19 After consultation with Government Entity, require Nursing Home to institute and prosecute such legal actions as HSM determines may be necessary, on consultation with Government Entity to collect delinquent accounts receivable;
- 2.2.3.20 Notify Government Entity as promptly as possible of any developments with respect to the operation of the Facility that are reasonably likely to cause the actual operating results of the Facility to be materially different from the Annual Operating Budget for the Facility;
- 2.2.3.21 Upon the request of Government Entity, attend meetings of governing board or executive staff to discuss management and other relevant issues;
- 2.2.3.22 Require Nursing Home to plan, execute, and supervise repairs and maintenance at the Facility;
- 2.2.3.23 The parties understand and agree that certain deficiencies or situations of non-compliance with various Legal Requirements (such as building codes, OSHA, ADA, health care regulations and the like) could occur from time to time in the normal course of business operations. Such occurrences will not constitute a breach or Default by HSM hereunder, provided that HSM requires Nursing Home to take reasonable actions to cure, and successfully cures, such deficiencies or situations of non-compliance within regulatory defined timelines. The costs (including any fines for non-compliance) of curing such deficiencies or circumstances of non-compliance shall constitute Operating Expenses;

- 2.2.3.24 Require Nursing Home to prepare, assist, or cause to be prepared and file with the applicable federal and state governmental agencies any and all reports (including, without limitation, cost reports) required for the proper payment or reimbursement to Government Entity and the Facility for services provided to residents within required deadlines;
- 2.2.3.25 Require Nursing Home to notify Government Entity and HSM immediately upon receipt of any notice regarding an actual or potential non-compliance with any Legal Requirements including, but not limited to, immediate jeopardy citations or substandard quality of care citations, that could result in suspension or termination of the Facility's license, Medicaid provider agreement(s), and/or Medicare provider agreement; and
- 2.2.3.26 Require Nursing Home to operate the Facility in such a manner that no default will remain uncured in the mortgage loan or any equipment lease for the Facility between the Lessor and any financial institution.

2.3 Limitations on Authority of HSM

Notwithstanding anything contained in this Agreement to the contrary and in addition to the various other provisions of this Agreement that prohibit HSM from taking certain actions or allow certain actions only with the prior consent of Government Entity, HSM will not, without the prior written consent of Government Entity, which consent Government Entity may not unreasonably withhold, perform any of the following actions on behalf of Government Entity:

- 2.3.1 Acquire any real property except as approved by Government Entity;
- 2.3.2 Reduce or increase the number of operating and/or licensed beds and/or certified beds in the Facility except for an increase in the number of licensed and certified beds contemplated in the current renovation and expansion plan;
- 2.3.3 Borrow money or incur any indebtedness on behalf of Government Entity, except for trade payables incurred in the ordinary course of business;
- 2.3.4 Pledge or provide a security interest in any assets of Government Entity;
- 2.3.5 Sell or otherwise dispose of any assets of Government Entity, except for Inventories and Supplies used in the ordinary course of business and such other items as are provided for in an Annual Operating Budget approved by Government Entity; or
- 2.3.6 Confess a judgment or settle any claim in connection with the Facility.
- 2.3.7 Make a material alteration or amendment, excluding operating budget adjustments and/or Facility operating fees of Nursing Home, under the Operating Agreement between Nursing Home Operator and HSM.

2.4 Licenses and Permits

Government Entity agrees upon request by HSM to sign promptly and without charge applications for licenses, permits or other instruments necessary for operation of the Facility and to provide such information and perform such acts relative to the operation of the Facility as are required by law, regulation or governmental practice in order for Nursing Home to obtain and/or maintain any license, permit, instrument, certificate, certification or approval with respect to the proper operation of the Facility. Upon Termination of this Agreement for any reason, Government Entity shall cooperate with HSM and HSM shall cooperate with Government Entity in obtaining and/or transferring all licenses, permits or other approvals necessary for operation of the Facility by Lessor and/or Nursing Home.

2.5 Representations and Warranties of Government Entity

Government Entity represents and warrants to HSM as follows:

- 2.5.1 Organization. Government Entity is a Hospital District established under the laws of the State of Texas, and has full power and authority to manage the Facility.
- 2.5.2 Authority. Government Entity has full power and authority to enter into this Agreement and to carry out its obligations set forth herein. Government Entity has taken all action required by law, its organizational documents, or otherwise to be taken to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby. This Agreement is a valid and binding agreement of Government Entity enforceable in accordance with its terms, except that such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditor's rights, and the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding may be brought.
- 2.5.3 No Violations. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will: (i) violate any provision of the organizational documents of Government Entity; (ii) violate any statute or law, or any judgment, decree, order, regulation or rule of any court or governmental authority, or (iii) violate any agreement to which it is bound.
- 2.5.4 Patient Funds. Government Entity will maintain a bond sufficient to cover all patient trust funds held for the benefit of residents of the Facility have been properly accounted for and are in balance, and have been kept in accordance with the requirements of applicable Legal Requirements.

2.6 Representations and Warranties of HSM

HSM represents and warrants to Government Entity as follows:

- 2.6.1 Organization. HSM is a limited liability corporation duly organized, validly existing and in good standing under the laws of the State of Texas.

- 2.6.2 Authority. HSM has full power and authority to enter into this Agreement and to carry out its obligations as set forth herein. HSM has taken all action required by law, its Articles of Organization, its Operating Agreement or otherwise to be taken to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby. This Agreement is a valid and binding agreement of HSM enforceable in accordance with its terms, except that such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditor's rights, and the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefore may be brought.
- 2.6.3 No Violations. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will: (i) violate any provision of the Articles of Organization or Operating Agreement of HSM; (ii) violate any statute or law, or any judgment, decree, order, regulation or rule of any court or governmental authority, or (iii) violate any agreement to which HSM is a party.
- 2.6.4 Resources. HSM has and will maintain sufficient resources, personnel, expertise and knowledge to reasonably perform the oversight duties and responsibilities described in this Agreement.
- 2.6.5 Employees. With respect to the Facility, Nursing Home and/or Lessor is the employer and Nursing Home and/or Lessor has complied with all Legal Requirements relating to the recruitment and hiring of employees and employment of labor, including the Family Medical Leave Act contained in Title 29, Chapter 28 of the U.S. Code, as amended, and the Fair Labor Standards Act contained in Title 29, Chapter 8 of the U.S. Code, as amended, and any additional provisions and regulations thereof relating to wages, hours, equal opportunity, immigration and collective bargaining and all Laws governing occupational health and safety.
- 2.6.6 No Denials or Penalties. To HSM knowledge, and on reliance of representation of Nursing Home and/or Lessor, the Facility is not subject to any action, investigation, administrative proceeding or remedy involving a Denial Of Payment On New Admissions, a "payment hold," an "Immediate Jeopardy" citation, a Medicaid or Medicare civil monetary penalty prohibition of nurse aide training program, Medicare/Medicaid recoupment action, probationary or temporary license, or an investigation by the Texas Attorney General's office, Medicaid Fraud Investigation Unit, or similar authority.
- 2.6.7 Proceedings. To HSM knowledge, and on reliance of representation of Nursing Home and/or Lessor, there is no investigation by a governmental authority pending, or, any threatened investigation, action, suit, litigation or other legal or administrative proceeding against Nursing Home and/or Lessor or the Facility that would:

- 2.6.7.1 affect Government Entity's ability to obtain a nursing home license or participate as a licensed provider in Texas' Medicare or Medicaid program with respect to the Facility;
 - 2.6.7.2 affect Government Entity's ability to operate the Facility; or
 - 2.6.7.3 prevent the performance of or have any adverse change in the ability of Nursing Home to perform under this Agreement.
- 2.6.8 Litigation. To HSM's knowledge, and on reliance of representation of Nursing Home and/or Lessor, there are no reported incidents, claims, actions, suits, proceedings or investigations pending, or threatened, against or affecting Nursing Home with respect to the Facility, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, attorney general's office, agency or instrumentality wherever located. Government Entity, with respect to the Facility and its operation, will not be responsible for reported incidents, claims, actions, suits, proceedings or investigations pending, or threatened, that occurred prior to the effective date of this Agreement, whether at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, attorney general's office, agency or instrumentality wherever located.
- 2.6.9 Regulatory Matters. HSM and HSM's Affiliates, officers, directors and employees:
- 2.6.9.1 are not currently under sanction by the Office of Inspector General ("OIG") of the Department of Health and Human Services, are barred from federal or state procurement programs, or have been convicted of a criminal offense with respect to health care reimbursement, or battery or neglect of a dependent;
 - 2.6.9.2 are not parties to a Corporate Integrity Agreement with the Office of Inspector General of the Department of Health and Human Services;
 - 2.6.9.3 have no reporting obligations pursuant to any settlement agreement entered into with any governmental entity;
 - 2.6.9.4 have not been the subject of any government payor program investigation conducted by any federal or state enforcement agency or any civil monetary penalty;
 - 2.6.9.5 have not been a defendant in any qui tam or False Claims Act litigation;
 - 2.6.9.6 have not been served with or received any search warrant, subpoena or civil investigative demand, by or from any federal or state enforcement agency (except in connection with medical services provided to third-parties who may be defendants or the subject of investigation into

conduct unrelated to the operation of the healthcare businesses conducted by HSM); and

- 2.6.9.7 have not committed an act related to the Facility which would be construed as fraudulent or prohibited under the Stark Amendments, any state or federal laws relating to referrals of patients or services, or any other applicable Center for Medicare and Medicaid Services (CMS), Medicaid, or Medicare regulations.

HSM shall notify Government Entity immediately if it learns at any time during the Term of this Agreement, or if it is notified by the OIG or other enforcement agencies that an investigation of itself or any of its affiliates, officers, directors, subcontractors or employees has begun which could lead to penalty, sanction, debarment, or conviction.

- 2.6.10 HIPAA Compliance. To HSM's knowledge, and on reliance of representation of Nursing Home and/or Lessor the Facility is in compliance with Subpart F (Administrative Simplification) of the HIPAA, the regulations contained in 45 C.F.R. Parts 160 and 164, as amended (collectively, the "Federal Privacy and Security Regulations"), the regulations contained in 45 C.F.R. Parts 160 and 162, as amended (collectively, the "Federal Transaction Regulations"), the Texas Medical Records Privacy Act, and all other Laws relating to the privacy, security and transmission of health information..

ARTICLE 3 -- TERM AND TERMINATION

3.1 Term

This Agreement shall commence on the Effective Date and, subject to Sections 4.2 and 4.3, shall expire on September 30, 2014 (the "Initial Term"). The term shall be automatically extended for successive two (2) year periods ("Extended Terms") unless terminated in accordance with the provisions of Sections 3.2 through 3.4. The terms and conditions during any such Extended Term shall be the same as the terms and conditions during the Initial Term except for the terms of Article 4 or as shall be modified as mutually agreed to by the parties.

3.2 Notice under Lease Agreement

The parties agree that if Government Entity or Lessor receives written notice of termination of the Lease Agreement, executed between Government Entity and Lessor for the operation of the nursing home Facility, such notice will serve as sufficient written notice of termination under this Agreement.

This Agreement may be terminated by Government Entity as follows:

- 3.2.1 Immediately by Government Entity upon an Event of Default by HSM described in Sections 9.1.1, 9.1.2, or 9.1.3;

- 3.2.2 Upon thirty (30) days prior written notice to HSM upon an Event of Default by HSM described in Section 9.1.4 that remains uncured;
- 3.2.3 In the event Government Entity determines in its sole discretion that sufficient funds are not available for the continuation of payments for services for the remaining term of this Agreement, then Government Entity shall have the right to terminate this Agreement without penalty, provided Government Entity delivers written notice to HSM of not less than ninety (90) days prior to the identified date of funding termination. Government Entity shall have no further payment obligation beyond the identified date of funding termination, except for payment of services provided prior to the date of funding termination; or
- 3.2.4 Upon ninety (90) days prior written notice to HSM without cause.
- 3.3 Termination by HSM
- This Agreement may be terminated by HSM as follows:
- 3.3.1 Immediately by HSM upon an Event of Default by Government Entity described in Sections 9.2.1;
- 3.3.2 Upon thirty (30) days prior written notice to Government Entity upon an Event of Default by Government Entity described in Section 9.2.2, or 9.2.3 that remains uncured; or
- 3.3.3 Upon ninety (90) days prior written notice to Government Entity without cause.
- 3.4 Actions to be Taken Upon Termination

Upon any Termination of this Agreement, the following shall be applicable:

- 3.4.1 HSM shall require Nursing Home, within sixty (60) Days after Termination of this Agreement, prepare and deliver to Government Entity and HSM, a final accounting statement with respect to the Facility, along with a statement of any sums due from one party to the other pursuant hereto, dated as of the date of Termination. Such statement is subject to audit and approval by Government Entity. Within thirty (30) days after the receipt by Government Entity of such final accounting statement, the parties will reconcile any amounts in controversy and make whatever cash adjustments are reasonably necessary pursuant to such final statement. The cost of preparing such final accounting statement, any audit thereof by Government Entity and any mediation of amounts in controversy, shall be an Operating Expense, unless the Termination occurs as a result of a Default by either party, in which case the defaulting party shall pay such costs. HSM and Government Entity acknowledge that there may be certain adjustments for which the information or funding is not available at the time of the final accounting and the parties agree to readjust such amounts and make the necessary cash adjustments when such information becomes available; provided, however, that (except for ongoing disputes of which each party has received notice, or legal

claims for which the statute of limitations has not expired) all accounts shall be deemed final two (2) years after date of Termination;

- 3.4.2 As of the date of the final accounting referred to in Section 3.4.1, HSM shall release and transfer to Government Entity any of Government Entity's funds which are held or controlled by HSM with respect to the Facility;
- 3.4.3 HSM shall require Nursing Home to safeguard and retain for benefit of Government Entity and Lessor all books and records respecting the Facility, including all patient records and files, financial reports, data bases and any other records (regardless of form and including, without limitation, all electronic records, documents and data) for a period of seven (7) years after the last entry in each such record or database;
- 3.4.4 Various other actions shall be taken, as described in this Agreement; and
- 3.4.5 The provisions of this Section 3.4 shall survive any Termination.

3.5 Termination Payment

Upon Termination of this Agreement all funds in the Operating Account, and any Other Revenue received thereafter and which Government Entity reasonably determines is attributable to Nursing Home's operation of the Facility prior to Termination of this Agreement, shall be paid in the following order:

- 3.5.1 HSM: all accrued but unpaid Net Patient Revenues received by Government Entity less unreimbursed Facility Lease payments made by Government Entity and any applicable advance payment or line of credit on behalf of Nursing Home due to HSM for the Facility shall be paid to HSM, provided however, that the Government Entity's liability to HSM on Termination shall not exceed the amount of the payment due to HSM as described in the definition of net patient revenues, plus the portion of Other Revenue received after Termination that Government Entity determines is attributable to HSM's operation of the Facility prior to Termination;
- 3.5.2 Government Entity: cash on hand, all accounts receivable for services provided at the Facility prior to Termination of this Agreement; and
- 3.5.3 The reconciliation and timing of these payments shall be governed by Section 4.3.1 and the good faith of the parties.

ARTICLE 4 -- COMPENSATION OF HSM

4.1 Distribution of Fees

- 4.1.1 In consideration of Nursing Home operations, to be performed hereunder pursuant to HSM oversight, HSM shall be eligible to receive from Governmental Entity all

collected Net Patient Revenues received by Government Entity less (i) unreimbursed Facility Lease payments made by Government Entity; (ii) any applicable advance payment or line of credit on behalf of Nursing Home and (iii) any costs, damages, losses, liabilities and expenses (including attorneys' fees and costs) arising out of or in connection with any claim or cause of action against or liability or obligation, of any nature whatsoever arising out of or relating to the use or operation of the Facility or any other business of Nursing Home, or any act or omission of Nursing Home, or any of its agents, employees, or officers, including, without limitation, any claim or cause of action arising out of or relating to any act of malpractice. HSM will apply all such Net Patient Revenue received to fund the Nursing Home Operating Budget.

- 4.1.2 The "Subordinated Fee" is defined as an amount to be distributed after the Texas Health and Human Services Commission completes the "Other Revenue" allocation, if applicable. The Subordinated Fee will be paid to HSM from Other Revenue Collections at a rate of \$25.00 per licensed bed per day to support the supervision, monitoring, and oversight of the performance of the Nursing Home's operation of the Facility, as well as the administrative expenses incurred by HSM in the performance of these duties.. The Government Entity will transfer a defined percent of the remaining Other Revenue (as shown in Attachment A) after the payment of the Subordinated Fee to HSM. These revenues shall be used to enhance Medicaid payments to Nursing Home and fund quality and infrastructure projects if applicable at the nursing facility through the Nursing Home Quality Incentive Fee. HSM will reconcile the Subordinated Fees paid over the course of the fiscal year to verify that the total fees paid to HSM do not exceed the amount as shown in Attachment A. If the fees are more than those shown in Attachment A, HSM will reimburse that amount back to the Governmental Entity and Nursing Facility based on the same percentages used from Attachment A. In addition, HSM will verify the accuracy of the Subordinated Fee when HHSC publishes the final individual facility Other Revenue calculations and make adjustments accordingly to the fee. HSM will notify the Governmental Entity and Nursing Facility if this provision is implemented. If there are insufficient funds to pay the Subordinated Fee in any month, the shortfall shall accrue as a liability due to HSM. The Subordinated Fee is paid during the month as defined under Section 4.2.

HSM can decrease the Subordinated Fee amount and increase the percent of remaining Other Revenue used to reimburse the Nursing Facility or Government Entity, as shown in Attachment A, if the number of facilities under management by HSM increases. The changes will only be made if the number of nursing homes under contract changes prior to the quarterly UPL payment processing and only if the new home(s) are eligible for UPL in that specific payment. If not, the Subordinated Fee and percent of Other Revenue paid to the Nursing Facility will change in the next payment cycle.

4.2 Payment of Fees

Government Entity and HSM agree that Net Patient Revenue and Other Revenue shall be paid or distributed during each Accounting Period, or at such other times as required by applicable Legal Requirements, in the following order:

- 4.2.1 First, from Net Patient Revenue, to pay all management fees due to HSM in accordance with Section 4.1.1;
- 4.2.2 Second, from Net Patient Revenue to pay Lessor, if applicable;
- 4.2.3 Third, from Other Revenue pursuant to 4.1.2 above, to pay HSM current period and accrued prior period Subordinated Fees.

All funds remaining after satisfaction of the foregoing obligations to HSM and to Lessor, if applicable, shall be retained by Government Entity subject to the completion of the reconciliation process, described in Section 4.3.

4.3 Reconciliation Process

- 4.3.1 On an accounting period basis, Government Entity in cooperation with HSM will compare actual Net Patient Revenues to fiscal intermediary and any payors remittance and status report and/or other patient payment records.

ARTICLE 5 -- WORKING CAPITAL AND REPLACEMENT OF INVENTORIES AND SUPPLIES

5.1 Emergency Working Capital

- 5.1.1 Government Entity shall on consultation with HSM be responsible for providing Emergency Working Capital in an amount HSM and Government Entity mutually agree is necessary to supplement Net Patient Revenues less Facility Lease payments and any applicable advance payment or line of credit on behalf of Nursing Home, in order to meet the unanticipated obligations in the Annual Operating Budget.
- 5.1.2 If there is any possibility, as reasonably determined by HSM, that Net Patient Revenues less Facility Lease payments and any applicable advance payment or line of credit on behalf of Nursing Home are not sufficient to pay all anticipated liabilities as defined in the Annual Operating Budget for the Facility, HSM will immediately notify Government Entity and present a plan to Government Entity for addressing the negative results.
- 5.1.3 HSM shall manage the Emergency Working Capital provided by the Government Entity in a prudent manner consistent with good business practices. All Emergency Working Capital payments will be repaid through future reductions in monthly Net Patient Revenues less Facility Lease payments and any applicable advance

payment or line of credit on behalf of Nursing Home, which minimize the re-occurrence for the need of Emergency Working Capital.

ARTICLE 6 -- BOOKKEEPING AND BANK ACCOUNTS

6.1 Government Entity Bank Account, Facility Accounts, Expenditures

All Net Patient Revenue derived from operation of the Facility and Other Revenue shall be deposited in a designated account of Licensor which shall at all times be segregated from other funds of Licensor (the "Licensor Operating Account"). All other facility non-patient related earnings and reasonable petty cash funds shall be maintained by Nursing Home at the Facility. All funds received by HSM pursuant to Section 4.1 of this Agreement shall be deposited in a designated account of HSM.

ARTICLE 7 -- ACCESS AND USE OF FACILITY

7.1 Access

During the Term of this Agreement, HSM shall have complete access to the Facility to the extent necessary to perform its obligations under this Agreement.

7.2 Use

7.2.1 HSM shall require Nursing Home to cause the Facility to be used solely for the operation of a nursing home consistent with the manner in which the Facility is being used as of the Effective Date, including all activities in connection therewith which are customary and usual to such an operation.

7.2.2 HSM shall require Nursing Home to comply with and abide by all Legal Requirements pertaining to the operation of the Facility, provided that: (i) all costs and expenses of such compliance shall be paid from Nursing Home Operating Budget; and (ii) Nursing Home shall have the right, but not the obligation, in its reasonable discretion, to contest or oppose, by appropriate proceedings, any such Legal Requirements. The reasonable expenses of any such contest shall be paid from Nursing Home Operating Budget.

7.3 Government Entity's Right to Inspect

Notwithstanding any other provision in this Agreement to the contrary, Government Entity and its agents shall have complete access to the Facility at all times.

ARTICLE 8 -- INSURANCE

8.1 Property and Operational Insurance

During the Term of this Agreement, HSM shall require Nursing Home to provide, procure and maintain the following types of insurance with financially responsible insurance companies reasonably acceptable to Government Entity and qualified to do business in the State of Texas, naming HSM and Government Entity as an additional insured in all the following:

8.1.1 Commercial General Liability Insurance;

8.1.2 Professional Liability Insurance Coverage;

8.1.3 Automobile Liability Insurance;

8.1.4 Worker's Compensation Insurance;

8.1.5 Property Insurance;

8.1.6 Fidelity Bonds; and

8.1.7 Additional Insurance Other Insurance as requested by HSM and mutually agreed to by HSM and Nursing Home.

HSM shall require Nursing Home to deliver to HSM and Government Entity certificates of insurance reasonably acceptable to HSM and Governmental Entity with respect to all the above listed policies procured by Nursing Home and, in the case of insurance policies about to expire, shall require Nursing Home to deliver certificates prior to such expiration with respect to the renewal thereof.

ARTICLE 9 -- DEFAULTS

9.1 Defaults and Events of Default by HSM

The following shall each constitute a "Default" by, and an "Event of Default" with respect to, HSM for purposes of this Agreement:

- 9.1.1 HSM: (i) has become the subject of a decree or order for relief under any bankruptcy, insolvency or similar law affecting creditors' rights now existing or hereafter in effect; (ii) has initiated, either in an original proceeding or by way of answer in any state insolvency or receivership proceeding, an action for liquidation, arrangement, composition, readjustment, dissolution, or similar relief; (iii) has consented to any order for relief entered with respect to the HSM under the Federal Bankruptcy Code; or (iv) has failed to cause the dismissal of any proceeding instituted against the party under the Federal Bankruptcy Code, or the removal of any trustee appointed with respect to the party's property under the

Federal Bankruptcy Code, within ninety (90) days of the commencement of such proceeding or appointment of such trustee, as the case may be.

- 9.1.2 HSM fails to make any payment required to be made in accordance with the terms of this Agreement within ten (10) days after such amount has become due and HSM has received written demand for such payment from Government Entity.
- 9.1.3 HSM commits any act or fails to take any action that is specifically identified as a "Default" or an "Event of Default" by HSM under any provision of this Agreement that is not cured, in full or in part, for a period of thirty (30) days after written notice thereof by Government Entity to HSM, or if such Default or Event of Default cannot be cured within such thirty (30) day period, then such additional period as shall be reasonable provided HSM commences to cure such Default or Event of Default within such thirty (30) day period and proceeds diligently to prosecute such cure to completion.
- 9.1.4 The failure by HSM to keep, observe or perform any covenant, agreement, term or provision of this Agreement and the continuation of such failure, in full or in part, for a period of thirty (30) days after written notice thereof by Government Entity to HSM, or if such default cannot be cured within such thirty (30) day period, then such additional period as shall be reasonable provided HSM commences to cure such default within such thirty (30) day period and proceeds diligently to prosecute such cure to completion.

9.2 Defaults and Events of Default by Government Entity

The following shall each constitute a "Default" by, and an "Event of Default" with respect to, Government Entity for purposes of this Agreement:

- 9.2.1 Government Entity: (i) has become the subject of a decree or order for relief under any bankruptcy, insolvency or similar law affecting creditors' rights now existing or hereafter in effect; (ii) has initiated, either in an original proceeding or by way of answer in any state insolvency or receivership proceeding, an action for liquidation, arrangement, composition, readjustment, dissolution, or similar relief; (iii) has consented to any order for relief entered with respect to the Government Entity under the Federal Bankruptcy Code; or (iv) has failed to cause the dismissal of any proceeding instituted against the party under the Federal Bankruptcy Code, or the removal of any trustee appointed with respect to the party's property under the Federal Bankruptcy Code, within ninety (90) days of the commencement of such proceeding or appointment of such trustee, as the case may be.
- 9.2.2 Government Entity commits any act or fails to take any action that is specifically identified as a "Default" or an "Event of Default" by Government Entity under any provision of this Agreement that is not cured, in full or in part, for a period of thirty (30) days after written notice thereof by HSM to Government Entity, or if such Default or Event of Default cannot be cured within such thirty (30) day period, then such additional period as shall be reasonable provided Government

Entity commences to cure such Default or Event of Default within such thirty (30) day period and proceeds diligently to prosecute such cure to completion.

9.2.3 The failure by Government Entity to keep, observe or perform any covenant, agreement, term or provision of this Agreement and the continuation of such failure, in full or in part, for a period of thirty (30) days after written notice thereof by HSM to Government Entity, or if such default cannot be cured within such thirty (30) day period, then such additional period as shall be reasonable provided Government Entity commences to cure such default within such thirty (30) day period and proceeds diligently to prosecute such cure to completion.

9.2.4 The failure of Governmental Entity to maintain its status as a non-state governmental owner of the Facility and License.

9.3 Remedies Upon an Event of Default

9.3.1 Upon the occurrence of an Event of Default, the non-defaulting party shall have the right to pursue any one or more of the following courses of action: (i) to terminate this Agreement as provided in Article 4; and (ii) to institute any and all proceedings permitted by law or at equity, including, without limitation, actions for specific performance and/or damages.

9.3.2 Upon the occurrence of an Event of Default by either party, any amounts owed to the non-defaulting party shall accrue interest at an annual rate of twelve percent (12%), compounded annually, or the maximum non-usurious rate allowed by law, on the principal balance due commencing on the original due date of such payment through the date of payment.

9.3.3 The rights granted hereunder are intended to be cumulative, and shall not be in substitution for, but shall be in addition to, any and all rights and remedies available to the non-defaulting party (including, without limitation, injunctive relief and damages) by reason of applicable provisions of law or equity.

ARTICLE 10 -- ASSIGNMENT

10.1 Assignment

10.1.1 Neither HSM nor Government Entity shall assign or transfer its interest in this Agreement without the prior written consent of the other party which consent may be withheld in the sole discretion of such other party. For purposes of this Agreement, the following shall be considered an assignment or transfer of this Agreement: (i) any assignment, transfer, sale or disposition of the majority of the ownership interest of HSM, voluntarily or involuntarily, by the parties who owned such ownership interest on the Effective Date, (ii) any issuance of ownership interest of HSM, or other transaction that results in a change in the control of HSM or Government Entity, or (iii) any merger, consolidation or other similar transaction to which HSM or Government Entity is party.

10.1.2 In the event either party consents to an assignment of this Agreement by the other, no further assignment shall be made without the express consent in writing of such party, unless such assignment may otherwise be made without such consent pursuant to the terms of this Agreement. An assignment by either Government Entity or HSM of its interest in this Agreement shall not relieve Government Entity or HSM, as the case may be, from their respective obligations under this Agreement.

ARTICLE 11 -- MISCELLANEOUS

11.1 Further Assurances

Except as specifically provided in this Agreement, Government Entity or HSM, as the case may be, shall cause to be executed and delivered to the other party all such other instruments and shall take or cause to be taken such further or other action as may reasonably and in good faith be deemed by the other party to be necessary or desirable in order to further assure the performance by Government Entity or HSM, as the case may be, of any of their respective obligations under this Agreement.

11.2 Confidentiality

The parties hereto agree that the matters set forth in this Agreement are strictly confidential and other than as may be required by applicable state open records law and/or securities laws and regulations, each party will make every effort to ensure that the information is not disclosed to any outside person or entities (including the press) without the written consent of the other party.

11.3 Consents

Wherever in this Agreement the consent or approval of Government Entity or HSM is required and the same is not expressly indicated to be as the sole discretion of a party, such consent or approval shall not be unreasonably withheld, shall be in writing and shall be executed by a duly authorized officer or agent of the party granting such consent or approval. If either Government Entity or HSM fails to respond within thirty (30) days to a request by the other party for a consent or approval, such consent or approval shall be deemed to have been given.

11.4 Applicable Law

This Agreement shall be construed under and shall be governed by the laws of the State of Texas. Each party agrees that if any action against HSM is necessary to interpret, construe or enforce this Agreement, including any action for injunctive relief, the action must be filed in one of the District Courts of McCulloch County, Texas. Each party also agrees that if any action against Government Entity is necessary to interpret, construe or enforce this Agreement, including any action for injunctive relief, the action must be filed in one of the District Courts in the County where the Lessee is located.

11.5 Headings

Headings of Articles and Sections are inserted only for convenience and in no way limit the scope of the particular Articles or Sections to which they refer.

11.6 Notices

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given on the date delivered, if delivered personally, on the fifth (5th) business day after being mailed by registered or certified mail (postage prepaid, return receipt requested), in each case, to the parties at the following addresses, or on the date sent and confirmed by electronic transmission to the telecopier number specified below (or at such other address or telecopier number for a party as shall be specified by notice given in accordance with this Section):

If to Government Entity, to:

McCulloch County Hospital District
2008 Nine Road
Brady, Texas 76825
Attention: Tim Jones, CEO

If to HSM:

Healthcare Support Management, LLC
10812 Wintergreen Hill
Austin, Texas 78750
Telecopier No.: (512) 506-8711

with a copy to:

Waller
100 Congress Ave.
Suite 2200
Austin, Texas 78701
Attention: Fletcher H. Brown

11.7 HIPAA Compliance

The parties agree that the services provided under this Agreement will comply in all material respects with all federal and state-mandated regulations, rules, or orders applicable to the services provided herein, including but not limited to regulations promulgated under Title II, Subtitle F of the Health Insurance Portability and Accountability Act (Public Law 104-91) ("HIPAA") and Title 2, Section I, Chapter 181 of the Texas Medical Records Privacy Act. Furthermore, the parties shall amend this Agreement or execute any additional documentation to amend the Agreement to conform with HIPAA, the Texas Medical Records Privacy Act, or any new or revised legislation, rules, and regulations to which they are subject now or in the future,

including, without limitation, the Standards for Privacy of Individually Identifiable Health Information or similar legislation (collectively, "Laws") in order to ensure that the parties are at all times in conformance with all Laws.

11.8 Entire Agreement

This Agreement, together with other writings signed by the parties which are expressly stated to be supplemental hereto and together with any instruments to be executed and delivered pursuant to this Agreement, constitutes the entire agreement between the parties and supersedes all prior understandings and writings and may be changed only by a writing signed by both parties hereto.

11.9 Waiver

The failure of either party to insist upon a strict performance of any of the terms or provisions of this Agreement, or to exercise any option, right or remedy herein contained, shall not be construed as a waiver or as a relinquishment for the future of such term, provision, option, right or remedy, but the same shall continue and remain in full force and effect. No waiver by either party of any term or provision hereof shall be deemed to have been made unless expressed in writing and signed by such party.

11.10 Partial Invalidity

If any portion of this Agreement shall be declared invalid by order, decree or judgment of a court, this Agreement shall be construed as if such portion had not been inserted herein except when such construction would operate as an undue hardship on HSM or Government Entity, or constitute a substantial deviation from the general intent and purpose of said parties as reflected in this Agreement.

11.11 Construction

No provisions of this Agreement shall be construed in favor of, or against, any particular party by reason of any presumption with respect to the drafting of this Agreement; both parties, being represented by counsel, having fully participated in the negotiation of this instrument.

11.12 Limit on Recourse

Government Entity's and HSM's obligations under this Agreement are not with recourse to any HSM, officer, employee, member or agent of Government Entity or HSM, respectively.

11.13 Disclaimer

None of the services or assistance offered to Government Entity by HSM, or payments made to the HSM, shall in any manner be construed as an inducement for the referral of any patients or for the arrangement of any services covered under a Federal healthcare program. The parties do not intend the terms of this Agreement to provide for, and nothing in this Agreement shall be deemed or in any manner construed to be, the solicitation, receipt, offer or payment of remuneration for the furnishing of any item or service for which payment may be made in whole or in part under a Federal healthcare program, or in return for purchasing, leasing, ordering or

arranging for, or recommending purchasing, leasing, ordering, any good, facility, service or item for which payment may be made in whole or in part under a Federal healthcare program. Such services and assistance are wholly intended to improve the delivery of health care services to the population and communities served by the parties, and are provided in a manner so as to confer a benefit on those communities. In the event any state or federal laws or regulations, now existing or enacted or promulgated after the effective date of this Agreement, are interpreted by judicial decision, a regulatory agency or legal counsel in such a manner as to indicate that the structure of this Agreement may be in violation of such laws or regulations, Government Entity and HSM shall attempt in good faith to amend this Agreement as necessary. To the maximum extent possible, any such amendment shall preserve the underlying economic and financial arrangement between Government Entity and HSM.

11.14 Authority

Each individual who has signed this Agreement warrants that such execution has been duly authorized by the party for which he or she is signing.

11.15 Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original. Executed counterparts may be delivered by facsimile (and/or Adobe ® PDF), and shall be effective when received, with the original copy sent by overnight delivery service. This Agreement shall be of no force or effect unless and until it has been executed and delivered by both parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective Date.

Government Entity: McCulloch County Hospital District

By:  _____

Printed: Tim Jones
Title: CEO

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HSM: HEALTHCARE SUPPORT MANAGEMENT, LLC

By: Kevin Nolting

Printed: Kevin Nolting
Title: Director

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Attachment A

Healthcare Support Management Fee Schedule (allocation of remaining Other Revenue)

Public Entities - Nursing Home Facility Engaged	Private Entities - Nursing Home Facility Engaged	HSM Subordinated Fee Payments (not to exceed) Percent of Total Other Revenue*	Resulting Allocation of Remaining Other Revenue			
			Public Share	Private Share	Quality Improvement Share (if applicable)	Check Total
1	1	25%	44.00%	45.33%	10.67%	100.00%
1	2	23%	42.86%	46.75%	10.39%	100.00%
1	3	21%	41.77%	48.10%	10.13%	100.00%
1	4	19%	40.74%	49.38%	9.88%	100.00%
1	5	18%	40.24%	50.00%	9.76%	100.00%
2	1	23%	45.45%	44.16%	10.39%	100.00%
2	2	21%	44.30%	45.57%	10.13%	100.00%
2	3	19%	43.21%	46.91%	9.88%	100.00%
2	4	17%	42.17%	48.19%	9.64%	100.00%
2	5	16%	41.67%	48.81%	9.52%	100.00%
3	1	21%	46.84%	43.04%	10.13%	100.00%
3	2	19%	45.68%	44.44%	9.88%	100.00%
3	3	17%	44.58%	45.78%	9.64%	100.00%
3	4	15%	43.53%	47.06%	9.41%	100.00%
3	5	14%	43.02%	47.67%	9.30%	100.00%
4	1	19%	48.15%	41.98%	9.88%	100.00%
4	2	17%	46.99%	43.37%	9.64%	100.00%
4	3	15%	45.88%	44.71%	9.41%	100.00%
4	4	13%	44.83%	45.98%	9.20%	100.00%
4	5	12%	44.32%	46.59%	9.09%	100.00%
5	1	18%	48.78%	41.46%	9.76%	100.00%
5	2	16%	47.62%	42.86%	9.52%	100.00%
5	3	14%	46.51%	44.19%	9.30%	100.00%
5	4	12%	45.45%	45.45%	9.09%	100.00%
5	5	11%	44.94%	46.07%	8.99%	100.00%

* Percentages above are not intended to be applied to Net Patient Revenues