

LEASE AND OPERATING AGREEMENT

BY AND BETWEEN

Fourcooks Realty LLC (Nursing Home)

AND

McCulloch County Hospital District (Government Entity)

EXECUTED AS OF JUNE 1, 2014

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LEASE AND OPERATING AGREEMENT

THIS LEASE AND OPERATING AGREEMENT (this "Agreement"), made as of the 31st day of May, 2014 to be effective June 1, 2014 (the "Commencement Date"), by and among Fourcooks Realty LLC, a Texas limited liability company ("Nursing Home"), and McCulloch County Hospital District, a body politic and corporate and a political subdivision of the State of Texas ("Government Entity").

WITNESSETH:

WHEREAS, Nursing Home provides nursing home healthcare related services to the residents of Crane County through the operation of the nursing home facility located on real property legally described on the attached Exhibit A and commonly known as Crane Nursing and Rehabilitation Center (the "Facility"), located at 699 Campus Drive, Crane, Texas 79731 (the "Premises");

WHEREAS, Government Entity desires to lease the Facility (as hereinafter defined) from Nursing Home and Nursing Home desires to lease the Facility to Government Entity and Government Entity will continue to operate the Facility as a nursing home healthcare facility, upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, Nursing Home has determined that it is in the best interest of the residents of Crane County and in furtherance of the Nursing Home's purposes, to lease all assets, real, personal and mixed, tangible and intangible, owned or leased by Nursing Home and associated with or employed in the operations of the Facility as a nursing home to Government Entity, which will use the foregoing in connection with the operation of the Facility as a nursing home or purposes incidental and necessary to such purposes;

NOW, THEREFORE, in consideration of the mutual promises and agreements hereinafter contained, the parties hereto agree as follows:

ARTICLE I **LEASE PROVISIONS**

1. DESCRIPTION OF LEASED ASSETS

1.1. Subject to the terms and conditions contained herein, Nursing Home hereby leases to Government Entity and Government Entity hereby leases from Nursing Home the Premises as well as all tangible personal property owned by Nursing Home, located in the Premises and used in the conduct of Nursing Home's operation of the Premises as a nursing home. The Premises and personal property leased hereunder are hereinafter collectively referred to as the "Facility".

1.2. The Facility is presently licensed by the state of Texas to operate as a nursing home, and is certified and participates as a provider under Medicare and Medicaid legislation and regulations. Reference hereinafter to the "Licensed Facility" shall mean the Facility as so licensed and certified.

2. WARRANTIES

2.1. Nursing Home has made no representations or warranties, express or implied, nor does Nursing Home make any herein regarding the condition of the Facility. Nursing Home further hereby specifically disclaims any representations and/or warranties, both express and implied in law, with respect to the condition or suitability of the Facility, or any part thereof, for the use and purposes permitted hereunder or any other purpose, and Nursing Home does not represent or warrant that the Facility or any part thereof complies with any laws relating to the uses and occupancy thereof. Government Entity fully understands that from time to time there may be certain repairs and alterations required for the continued licensing and/or certification of the Facility, and Government Entity shall be fully responsible for the cost of and for effectuating any maintenance and alterations required to be made for the continued licensing and certification of the Facility and for any maintenance and alterations required to maintain and preserve the Facility in the condition called for herein. The parties hereby acknowledge that Nursing Home is not responsible for and Government Entity shall hold Nursing Home harmless in connection with any such repairs, maintenance, or replacements relating to the maintenance of the Facility.

3. RENT

3.1. Government Entity shall pay to Nursing Home a monthly rent during each month of the Term (as hereinafter defined) hereof, without deduction, setoff, prior notice or demand, in the amount of \$40,000 (the "Rent").

3.2. The Rent designated is for a calendar month. Rent is payable in advance on the first day of each month commencing on the first day of the month in which the Term of this Agreement commences. If the Term commences on a day other than the first day of a month, Rent for such partial month shall be prorated at the rate of 1/30th of the Rent per day.

3.3. All Rent shall be paid to Nursing Home at such address as may be designated by Nursing Home from time to time in writing to Government Entity.

3.4. It is the purpose and intent of Nursing Home and Government Entity that the Rent provided herein shall be absolutely net to Nursing Home such that this Agreement shall yield net to Nursing Home the Rent specified in this Agreement in each month during the Term of this Agreement and, except as otherwise specifically provided herein, Nursing Home shall have no obligation or liability to pay any amounts in connection with the ownership, operation and/or management of the Facility or any part thereof, whether for real and personal property taxes, insurance premiums of any kind, maintenance of any kind, including structural or exterior maintenance, or license fees. All costs and expenses including, without limitation, taxes, assessments, insurance premiums, maintenance, license fees and obligations of every kind and nature whatsoever

relating to the use and/or management of the Facility by Government Entity which may accrue during the Term (regardless of when payable) or become payable during the Term or any renewal thereof shall be paid by Government Entity and Nursing Home shall be indemnified and held harmless by Government Entity from and against the same.

4. TAXES AND ASSESSMENTS

4.1. Government Entity shall pay or cause to be paid all taxes, assessments, license fees, and other charges (collectively, "Personal Property Taxes") that are levied and assessed against the personal property, including leasehold improvements, furniture, fixtures and equipment installed, whether by Nursing Home or Government Entity, or located in or about the Facility, which taxes accrue during the Term, regardless of when the same may be payable.

4.2. Government Entity shall pay all real property taxes, assessments and levies, both general and special (collectively, "Real Property Taxes") which are or are hereafter levied, assessed, or are otherwise imposed, against the Facility during the Term, regardless of when the same may be payable.

4.3. Nursing Home shall furnish Government Entity with any tax bills evidencing Personal Property Taxes or Real Property Taxes promptly following receipt thereof by Nursing Home. Subject to such delivery, Government Entity shall remit payment for the respective taxes directly to the taxing authority not later than the taxing authority's delinquency date as to each installment, and shall furnish Nursing Home with satisfactory evidence of these payments promptly following such payments.

4.4. Government Entity's liability to pay Real Property Taxes and Personal Property Taxes shall be prorated on the basis of a 365-day year to account for any fractional portion of a tax year included in the Term at its commencement and expiration. Prorations shall be based on assessments and Government Entity shall pay such prorations when the prorated tax installment becomes due.

4.5. Government Entity shall have the right to contest or review by legal proceeding, or in such other manner as it may deem suitable (which, if instituted, Government Entity shall conduct promptly at its own expense, and free of any expense to Nursing Home, and if necessary, in the name of Nursing Home as the case may be) any Real Property Taxes. Government Entity may defer payment of a contested item upon condition that, before instituting any such proceeding, Government Entity shall furnish to Nursing Home security reasonably satisfactory to Nursing Home sufficient to cover the amount of any contested Real Property Taxes. Notwithstanding the furnishing of any such security, Government Entity shall promptly pay such contested item if at any time the Facility or any part thereof shall be in danger of being sold or forfeited as a result of such contested item. The legal proceeding herein referred to shall include an appropriate proceeding to review tax assessments and appeals from any judgment, decree, or order in connection therewith, but such proceeding shall be commenced as soon as possible after the assessment of any contested item and shall be prosecuted to final adjudication with dispatch. If there shall be any refund with respect to any contested item based on a

payment by Government Entity, Government Entity shall be entitled to such refund to the extent of such payment.

4.6. Government Entity shall, in addition to all other sums, pay all fees for inspection and examination of the Facility during the Term hereof which are charged by any public authority having jurisdiction therein.

5. USE

5.1. Government Entity shall use the Facility for a licensed nursing home and for no other use without Nursing Home's prior written consent.

5.2. Government Entity's use of the Facility as provided in this Agreement shall be in accordance with the following:

5.2.1. Government Entity shall not do, bring, or keep anything in, on or about the Facility that will cause a cancellation of any insurance covering the Facility.

5.2.2. Government Entity shall cause the Facility to be and remain licensed and certified by the applicable federal, state, and local governmental agencies, and shall maintain such license(s) and certifications during the Term of this Agreement. At Government Entity's sole expense, Government Entity shall cause the Facility to conform to the requirements and provisions of all applicable laws concerning the use of the Facility as the Licensed Facility including, without limitation, the obligation at Government Entity's sole cost to alter, maintain, replace or restore the Facility or any part thereof in compliance and conformity with all laws relating to the condition, use or occupancy of the Facility as the Licensed Facility during the Term. Government Entity shall deliver to Nursing Home, promptly following receipt thereof, copies of all inspection reports respecting the Facility issued during the Term hereof by any and all governmental agencies which conduct inspections thereof.

5.2.3. Government Entity shall not use the Facility in any manner that will constitute waste or nuisance to the Facility, or cause unreasonable annoyance to owners or occupants of adjacent properties.

5.2.4. Government Entity shall not do anything in or about the Facility that will cause damage to the Facility or any part thereof.

5.2.5. So long as this Agreement is in effect, Government Entity may use the name Hale Center Residence and Rehabilitation Center in connection with the operation of the Facilities.

5.2.6. During the Term of this Agreement and any renewal term, Government Entity shall provide without charge to Nursing Home reasonable office space, copy service, internet access, and utilities within the administrative offices of the Facility for Nursing Home's use in managing the Nursing Home's ongoing operations.

6. MAINTENANCE

6.1. Government Entity shall, during the Term of this Agreement, maintain or cause to be maintained, the Facility in good, clean working order, condition and repair including, without limitation, the structural portions of the building and improvements thereof, the interior and exterior thereof, roof, plate glass, wiring, plumbing, heat and air conditioning units, the parking and service areas, the landscaping, the approaches thereto and appurtenances thereof, including all adjacent sidewalks and alleys. Government Entity's obligation to maintain the Facility shall specifically include, without limitation, the obligation to make any and all repairs and to repaint and/or restrain all painted and wood surfaces of the Facility and restripe the parking areas as required. Nursing Home shall not have any responsibility to maintain the Facility or any part thereof including, without limitation, any structural maintenance, repair or replacement. Government Entity waives all rights under any laws which may provide for Government Entity's right to make repairs and deduct the expenses of such repairs from Rent or other payments due to Nursing Home hereunder.

6.2. Government Entity shall, during the Term of this Agreement, keep and maintain or cause to be maintained all the personal property including furniture, fixtures and equipment, in good working order, condition and repair and shall make all such replacements of property and purchases of new property as may be required to enable the Facility to be operated as contemplated herein in accordance with standards usual and ordinary for similar healthcare facilities serving similar purposes. Subject to the provisions of Section 6.5, Government Entity shall have the right to install in the Facility any and all equipment and fixtures which Government Entity desires to install thereon and which are necessary or convenient to Government Entity's use of the Facility as permitted herein, without the consent Nursing Home. All such property so installed by Government Entity shall become Nursing Home's property upon termination of this Agreement unless, prior to the installation or placement of such property in the Facility, Government Entity shall obtain Nursing Home's written agreement that such property shall remain the property of Government Entity upon termination of this Agreement. Except as provided below, Government Entity shall not remove the personal property or replacements thereof or any part thereof from the Facility, without the prior written consent of Nursing Home. Government Entity shall purchase and replace with substitutes of equal or higher quality any worn out or broken items of personal property required to be on the Premises for continued licensing and/or certification as the same may occur from time to time throughout the Term of this Agreement at Government Entity's sole cost and expense. Items being replaced by Government Entity may not be removed without Nursing Home's prior consent and shall become the property of Nursing Home, and items replacing same shall be and remain the property of Nursing Home subject to removal by Government Entity only with prior written consent of Nursing Home. Government Entity agrees, upon written request from Nursing Home, to execute any and all documents necessary to fully evidence Nursing Home's ownership of the personal property.

6.3. Subject to the provisions of Section 7.1, Government Entity shall, throughout the Term of this Agreement, make, or cause to be made, all repairs, alterations, replacements and additions to the Facility required by law and as necessary to obtain and maintain licensing and certification as the Licensed Facility provided, that, if the costs of making required alterations and additions to the building or structures shall exceed \$10,000 in any annual period, Government Entity may, at its option, terminate this Agreement upon 60 days written notice unless the Nursing Home shall agree to bear the cost of required alterations and additions in excess of \$10,000 and, in such instance, this Agreement shall remain in full force and effect..

6.4. Anything to the contrary herein notwithstanding, if there is any personal property placed on or installed on the property by Government Entity, and if such personal property is, at the date of termination of this Agreement, subject to a lien securing a purchase money obligation, such personal property shall not become the property Nursing Home upon termination of this Agreement, unless Nursing Home has previously approved the purchase of the equipment in which case the Nursing Home will assume the then outstanding balance of the purchase money obligation so secured, and thereby also obtain title and ownership of such property.

6.5. Government Entity shall make no capital expenditure which results in a lien on the Facility or any property located therein or thereon without the prior written consent of Nursing Home.

7. ALTERATIONS

7.1. Government Entity shall not make or allow to be made any alterations, remodeling or additions to the Facility or any part thereof in excess of \$10,000.00 during any Lease Year (as hereinafter defined) without Nursing Home's prior written consent. Any alterations, remodeling or additions made shall remain on and be surrendered with the Facility on expiration or termination of the Term. Failure of Nursing Home to respond within forty-five (45) days from Government Entity's request shall be deemed consent. Nursing Home's prior written consent shall not be necessary for emergency repairs, or alterations, replacements or the like required for continued licensing and certification of the Facility. Each twelve month period commencing on the Commencement Date or any anniversary thereof is referred to herein as a "Lease Year".

7.2. Except in the event of an emergency alteration, if Government Entity makes any alterations to the Facility as provided in this Article, the alterations shall not be commenced until at least thirty (30) days after Nursing Home has received notice from Government Entity stating the date the installation of the alterations is to commence.

8. MECHANIC'S LIENS

8.1. Government Entity shall pay, or cause to be paid, all costs for any construction work performed by or caused to be performed by Government Entity in or about the Facility. Government Entity shall keep the Facility free and clear of all mechanic's liens and other liens by reason of work labor, services or materials supplied or claimed to have been supplied to Government Entity, or anyone performing work at

the Facility or any part thereof through or under Government Entity unless Nursing Home shall consent to such lien in advance.

8.2. Government Entity shall have the right to contest the correctness or validity of any mechanic's, materialman's or similar lien if Government Entity provides reasonable security for same. Government Entity hereby indemnifies Nursing Home against any such lien or claim.

8.3. If Government Entity shall fail to discharge any such lien within thirty (30) days of the filing of such lien or fails to furnish reasonable security therefor as may be required by Nursing Home then, in addition to any other right or remedy of Nursing Home resulting from Government Entity's said default, Nursing Home may, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by procuring the discharge of such lien by giving security in such other manner as may be prescribed by Texas law or practice. Government Entity shall repay to Nursing Home, as additional rent payable hereunder, on demand, all sums disbursed or deposited by Nursing Home pursuant to the foregoing provisions of this Section plus interest thereon at the then maximum rate of interest permitted by law, or if no maximum rate then applies, at the rate of 12% per annum. Nothing contained herein shall imply any consent or agreement on the part of Nursing Home to subject the Facility to liability under any mechanic's or other lien law.

9. UTILITIES AND SERVICES

9.1. Government Entity shall make all arrangements for payment prior to delinquency of all utilities and services furnished to the Facility or used by it, including, without limitations, gas, electricity, water, telephone service, internet and trash collection, and for all connection charges and deposits required by any of said utilities. Nursing Home shall not be liable for any interruption in the provision of any such utility services to the Facility.

10. INDEMNITY AND EXCULPATION

10.1. This Agreement is made upon the express condition that Nursing Home, and their employees, agents and successors, and the Facility are to be defended and held free and harmless by Government Entity of and from each and every claim, demand, lien, loss, penalty, cost (including attorneys' fees and costs of litigation) and damage of any kind or nature whatsoever (collectively "Claims") at any time made by reason of any injury or death to any person or persons, including Government Entity, its employees, agents, contractors and invitees, or damage or destruction to property of any kind whatsoever and to whomsoever belonging including, without limitation, Government Entity, from any cause or causes, while in, upon or in any way connected with the Facility (including Government Entity's arranging or failure to arrange for competent medical care, or to render competent dietary and sanitary care to residents, patients or occupants), the sidewalks adjacent to the Facility, and the personal property located therein or thereon, during the Term of this Agreement and any extension thereof. Government Entity hereby agrees during the Term of this Agreement and any extension thereof to indemnify, defend and save Nursing Home and Facility harmless from and

against any and all Claims, and any and all costs and expenses incurred as a result thereof including, without limitation, the costs and expenses of attorneys and litigation costs resulting or arising directly or indirectly, out of Government Entity's possession, occupancy and use of the Facility or arising directly or indirectly out of the condition, use or misuse of the Facility and the approaches and appurtenances thereto, including, without limitation, all adjacent sidewalks, alleys, and the parking area. Excluded from Government Entity's obligations set forth in this section are claims for damages which are the direct and proximate result of Nursing Home's gross negligence, willful acts or omissions, or Nursing Home's material breach of this Agreement.

10.2. Government Entity hereby agrees that Nursing Home and the Facility shall not be liable (except for Nursing Home's breach of this Agreement or its grossly negligent or willful acts or omissions) for, and Government Entity hereby agrees during the Term of this Agreement to indemnify, defend and save Nursing Home and the Facility harmless from and against, any and all claims, demands, obligations, liabilities, penalties, cause or causes of action and any and all costs and expenses, including attorneys' fees and costs of litigation which arise out of or are incurred in connection with, injury to Government Entity's business or any loss of income therefrom or for damages to the goods, wares, merchandise or other property of Government Entity, Government Entity's person in or about the Facility, whether such damages or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning, lighting fixtures or any other systems serving the Facility, or from any other cause, whether said damage or injury results from conditions arising at the Facility or elsewhere and regardless of whether the cause of such damage or injury or the means of repairing same is inaccessible to Government Entity.

11. INSURANCE

11.1. During the Term of this Agreement, Government Entity shall maintain, or cause to be maintained, on all the personal property and all replacements thereof, and on the building and all other improvements that are a part of the Facility, a policy or policies of insurance with "all risks" coverage of direct physical loss, including flood if the Facility is located within a flood plane, but excluding earthquake. Such insurance shall contain sprinkler leakage and earthquake sprinkler leakage endorsements. The property to be insured under this Section shall be continually insured in an amount not less than 100% of the full replacement value thereof. The insurance policy or policies shall insure Nursing Home and Government Entity, as their interests appear. In the event this Agreement is terminated, the insurance policy (if other than blanket) and all rights under it and any insurance proceeds payable thereunder shall be assigned to Nursing Home at Nursing Home's election. Government Entity shall pay the premiums for maintaining the insurance required hereunder during the Term of this Agreement. If the fair market value of the building located on the Premises shall increase by more than 5% in any Lease Year and Nursing Home does not consent to a limitation on the amount of insurance coverage increase to that required by a 5% increase in value, Government Entity may at its option terminate this Agreement on 60 days written notice to Nursing Home.

abatement or reduction of Rent shall be based on the extent to which the restoration interferes with Government Entity's use of the Facility. If the award is not sufficient to pay for restoration, Nursing Home may elect to furnish the deficiency, or Nursing Home may elect to terminate this Agreement, in Nursing Home's sole discretion, in which latter event, Government Entity may elect to furnish the deficiency by written notice to Nursing Home within ten (10) days following Nursing Home's notice to Government Entity of Nursing Home's election to terminate hereunder and this Agreement will then remain in full force and effect.

12.7. Regardless of whether this Agreement is terminated pursuant to this Article 12 or remains in effect pursuant to this Article 12, any award shall belong to and be paid to Nursing Home.

13. DESTRUCTION

13.1. If during the Term the Facility is totally or partially destroyed from a risk required to be covered by the insurance described in Article 11, rendering the Facility totally or partially inaccessible or unusable, Government Entity shall restore the Facility to substantially the same condition as existed immediately before such destruction, whether or not the insurance proceeds are sufficient to cover the actual cost of restoration. Such destruction shall not terminate this Agreement. If the existing laws do not permit the restoration, either party can terminate this Agreement immediately by giving notice to the other party.

13.2. Subject to the provisions set forth below in this Section 13.2., if during the Term the Facility is totally or partially destroyed from a risk not required to be covered by the insurance described in Article 11, rendering the Facility totally or partially inaccessible or unusable, Government Entity shall restore the Facility to substantially the same condition as existed immediately before such destruction. Such destruction shall not terminate this Agreement. If the existing laws do not permit the restoration, either party can terminate this Agreement immediately by giving notice to the other party. If the uninsured cost of restoration exceeds \$10,000.00, Government Entity can elect within its sole discretion to terminate this Agreement by giving written notice to Nursing Home within thirty (30) days after determining the restoration cost and replacement value, which Government Entity agrees to promptly and diligently obtain. If Government Entity elects to terminate this Agreement, Nursing Home, within twenty (20) days after receiving Government Entity's notice to terminate, can elect to pay the actual uninsured cost of restoration in excess of \$10,000.00, in which case Government Entity shall restore the Facility and this Agreement shall remain in full force and effect. Upon Nursing Home's election to contribute, each party shall deposit immediately the amount of its contribution with the Insurance Trustee (as hereinafter defined) provided for in Section 13.4 below. If the uninsured destruction does not exceed \$10,000.00, Government Entity shall immediately deposit the cost of restoration with the Insurance Trustee (as hereinafter defined) as further provided in Section 13.4.

13.3. If during the Term the Facility is destroyed from a risk covered by the insurance described in Article 11, and the total amount of loss does not exceed \$5,000.00,

Government Entity shall make the loss adjustment with the insurance company insuring the loss. The proceeds shall be paid directly to Government Entity for the sole purpose of the restoration of the Facility in accordance with this Article 13.

13.4. If during the Term the Facility is destroyed from a risk covered by the insurance described in Article 11 of this Agreement, and the total amount of loss exceeds \$5,000.00, Government Entity shall, with Nursing Home's approval, make the loss adjustment with the insurance company insuring the loss, and on receipt of the proceeds, the parties shall immediately pay them to a bank, savings and loan association, or other company furnishing construction disbursement control services acceptable to the parties ("Insurance Trustee") to act as Insurance Trustee hereunder.

13.5. All sums deposited with the Insurance Trustee (including insurance proceeds) shall be held for the following purposes and the Insurance Trustee shall have the following powers and duties:

13.5.1. The sums shall be paid in installments by the Insurance Trustee to the contractor retained by Government Entity as construction progresses, for payment of the cost of restoration of the Facility. A 10% retention fund shall be established that will be paid to the contractor on completion of restoration, payment of all costs, expiration of all applicable lien periods, and proof that the Facility is free of all mechanics' liens and lienable claims.

13.5.2. Payments shall be made on presentation of certificates or vouchers from the architect, engineer, or other inspection agency retained by the Insurance Trustee or Government Entity showing the amount due. If the Insurance Trustee, or Nursing Home, in its reasonable discretion, determines that the certificates or vouchers are being improperly approved, either shall have the right to appoint an architect, engineer, or inspection agency to supervise construction and to make payments on certificates or vouchers approved by such person retained by the Insurance Trustee or Nursing Home. The reasonable expenses and charges of the person retained by the Nursing Home or Insurance Trustee shall be paid out of the trust account.

13.5.3. If after deposit by the parties of all sums required by this Article, the sums held by the Insurance Trustee are not sufficient to pay the actual cost of restoration of the Facility, Government Entity shall deposit the amount of the deficiency with the Insurance Trustee within ten (10) days after request by the Insurance Trustee indicating the amount of the deficiency.

13.5.4. Any undisbursed insurance proceeds that remain after compliance with the provisions of this Article 13 shall be delivered to Nursing Home. All actual costs and charges of the Insurance Trustee shall be paid by Government Entity.

13.5.5. If the Insurance Trustee resigns or for any reason is unwilling to act or continue to act, the parties shall jointly substitute a new trustee in the place of the designated Insurance Trustee. The new trustee shall be a bank, savings and loan

association, or company engaged in the business of construction disbursement control, or a trust company, doing business in the county where the Facility is located.

13.6. If Nursing Home is required to or elects to restore the Facility as provided in this Article, Nursing Home shall not be required to restore alterations made by Government Entity to the Facility, Government Entity's improvements to the Facility, Government Entity's trade fixtures or personal property located on or in the Facility, such excluded items being the sole responsibility of Government Entity to restore.

13.7. Promptly following the date that Government Entity is obligated to restore the Facility, Government Entity at its cost shall prepare final plans and specifications and working drawings complying with applicable laws that will be necessary for restoration of the Facility. The plans and specifications and working drawings shall be subject to the approval of Nursing Home. Nursing Home shall have twenty (20) days after receipt of the plans and specifications and working drawings to either approve or disapprove the plans and specifications and working drawings and return them to Government Entity. If Nursing Home disapproves the plans and specifications and working drawings, Nursing Home shall notify Government Entity of its objections and Nursing Home's proposed solution to each objection. Any unresolved controversy arising out of or relating to this section shall be settled by mediation, which shall be conducted in McCulloch County, Texas, in accordance with the American Health Lawyers Association's Alternative Dispute Resolution Service Rules of Procedure for Mediation before any party to this Agreement may seek redress for any such matter in a court of competent jurisdiction. Government Entity acknowledges that the plans and specifications and working drawings shall be subject to approval of the appropriate government bodies and that they will be prepared in such a manner as to obtain that approval.

13.8. The restoration shall be accomplished as follows:

13.8.1. Government Entity shall complete the restoration as promptly as possible after final plans and specifications and working drawings have been approved by the appropriate government bodies and all required permits have been obtained (subject to a reasonable extension for delays resulting from causes beyond Government Entity's reasonable control).

13.8.2. Government Entity shall retain a licensed contractor acceptable to Nursing Home, in its reasonable discretion. The contractor shall be required to carry public liability and property damage insurance, standard fire and extended coverage insurance, with vandalism and malicious mischief endorsements, and such other coverages as may be reasonably required by Nursing Home, during the period of construction. Such insurance shall contain waiver of subrogation clause in favor of Nursing Home and Government Entity.

13.8.3. Government Entity shall notify Nursing Home of the date of commencement of the restoration at least ten (10) days before commencement of the restoration. The contractor retained by Government Entity shall not commence

construction until a performance bond and a labor and material payment bond in the full amount of the cost of restoration issued by a surety acceptable to Nursing Home have been delivered to Nursing Home to insure completion of the construction.

13.8.4. Government Entity shall accomplish the restoration in a manner that will cause the least inconvenience, annoyance, and disruption to the Facility.

13.8.5. Prior to commencement of construction of the restoration and upon completion of the restoration, Government Entity shall immediately furnish Nursing Home evidence satisfactory to Nursing Home that the restoration complies with all applicable statutes, ordinances, codes and law and that all necessary and applicable permits and approvals have been obtained for the restoration.

13.8.6. The restoration shall not be commenced until sums sufficient to cover the cost of restoration are placed with the Insurance Trustee as provided in section 13.4 above.

13.9. In case of destruction, there shall be no abatement or reduction of Rent.

14. ASSIGNMENT AND SUBLETTING

14.1. Government Entity shall not voluntarily assign or encumber its interest in this Agreement or in the Facility or personal property, or lease all or any part of the Facility or personal property, or allow any other person or entity (except Government Entity's agents, invitees and patients) to occupy or use all or any part of the Facility or personal property, without first obtaining Nursing Home's written consent. Any assignment, encumbrance, or sublease without Nursing Home's written consent shall be voidable and, at Nursing Home's election, shall constitute a default. No consent to any assignment, encumbrance, or sublease shall constitute a further waiver of the provisions of this Article.

14.2. No interest of Government Entity in this Agreement shall be assignable by operation of law (including, without limitation, the transfer of this Agreement by testacy or intestacy). Each of the following acts shall be considered an involuntary assignment:

14.2.1. If Government Entity is or becomes bankrupt or insolvent, makes an assignment for the benefit of creditors, or institutes a proceeding under the Bankruptcy Code in which Government Entity is the debtor;

14.2.2. If a writ of attachment or execution is levied on this Agreement;

14.2.3. If, in any proceeding or action to which Government Entity is a party, a receiver is appointed with authority to take possession of the Facility.

14.3. An involuntary assignment shall constitute a default by Government Entity and Nursing Home shall have the right to elect to terminate this Agreement, in which case this Agreement shall not be treated as an asset of Government Entity. If a

writ of attachment or execution is levied on this Agreement, Government Entity shall have forty-five (45) days in which to cause the attachment or execution to be removed.

14.4. If this Agreement is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, 11 U.S.C. Section 101 et seq. (the "Bankruptcy Code"), any and all monies or other considerations payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to Nursing Home, shall be and remain the exclusive property of Nursing Home and shall not constitute property of Government Entity or of the estate of Government Entity within the meaning of the Bankruptcy Code.

14.5. If Government Entity proposes to assign this Agreement pursuant to the provisions of the Bankruptcy Code to any person or entity who shall have made a bona fide offer to accept an assignment of this Agreement on terms acceptable to Government Entity, then notice of such proposed assignment setting forth (i) the name and address of such person, (ii) all of the terms and conditions of such offer, and (iii) the adequate assurance to be provided Nursing Home to assure such person's further performance under the Agreement, including, without limitation, the assurance referred to in Section 365(f)(2)(B) of the Bankruptcy Code, shall be given to Nursing Home by Government Entity no later than twenty (20) days after receipt by the Government Entity, but in any event no later than ten (10) days prior to the date that the Government Entity shall make application to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and Nursing Home shall thereupon have the prior right and option, to be exercised by notice to Government Entity given at any time prior to the effective date of such proposed assignment, to accept an assignment of this Agreement upon the same terms and conditions and for the same consideration, if any, as the bona fide offer made by such person, less any brokerage commissions which may be payable out of the consideration to be paid by such person for the assignment of this Agreement.

15. RIGHT OF ENTRY

15.1. Nursing Home and its authorized representatives shall have the right to enter the Facility at all reasonable times in order to:

15.1.1. Determine whether the Facility is in good condition and whether Government Entity is complying with its obligations under this Agreement;

15.1.2. Perform any necessary maintenance and to make any restoration to the Facility that Nursing Home has the right or may have the obligation to perform; nothing herein contained shall constitute an obligation on the part of Nursing Home or its designated representative to maintain or restore the Facility or any part thereof;

15.1.3. Serve, post, or keep posted any notices required or allowed under the provision of this Agreement or required by law;

15.2. Nursing Home shall not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance, or other damage arising out of Nursing Home's

entry into or on the Facility as provided in this Article, except damage resulting from the negligent or intentional acts or omissions of Nursing Home or its authorized representatives.

15.3. Government Entity shall not be entitled to an abatement or reduction of Rent or any part thereof if Nursing Home exercises any rights reserved in this Article. Nursing Home shall conduct its activities in the Facility as allowed in this Article in a manner that will cause as little inconvenience, annoyance, or disturbance to Government Entity as reasonably practicable.

16. SURRENDER OF PREMISES; HOLDING OVER

16.1. On the earlier to occur of the expiration of the Term hereof or ten (10) days after earlier termination of the Term, Government Entity shall surrender to Nursing Home the personal property and the Facility and all Government Entity's improvements and alterations thereto in good condition and fit for use by Nursing Home as the Licensed Facility (except for ordinary wear and tear) except for alterations that Government Entity has the right to remove or is obligated to remove under the provisions of Article 7, but including, without limitation, any and all patients, patient records, and any and all documents of every kind whatsoever necessary to enable Nursing Home to continue operation of the Facility.

16.2. If Government Entity fails to surrender the Facility or any part thereof to Nursing Home on expiration of the Term or ten (10) days after earlier termination of the Term as required by this Article, Government Entity shall hold Nursing Home harmless from all damages resulting from Government Entity's failure to surrender the Facility or any part thereof, including, without limitation, claims made by a succeeding government entity resulting from Government Entity's failure to surrender the Facility or any part thereof.

16.3. If Government Entity, with Nursing Home's written consent, remains in possession of the Facility or any part thereof after expiration or termination of the Term, or after the date in any notice given by Nursing Home to Government Entity terminating this Agreement, such possession by Government Entity shall be deemed to be a month-to-month tenancy terminable on thirty (30) days' notice given at any time by either party. All provisions of this Agreement except those pertaining to Term shall apply to the month-to-month tenancy. Government Entity shall fully cooperate with Nursing Home in turning the Facility over to Nursing Home so as to assure to the Nursing Home and patients uninterrupted patient care.

ARTICLE II

ASSIGNMENTS AND ASSUMPTIONS

17. INVENTORIES, SUPPLIES AND CONSUMABLES

17.1. Nursing Home hereby assigns to Government Entity effective as of the Commencement Date all inventories, supplies and other consumables of whatever nature

held by it on the Commencement Date for use and consumption in the conduct of Nursing Home's healthcare operations in the Facility (the "Healthcare Supplies").

17.2. Government Entity shall at all times during the Term of this Agreement maintain inventories of Healthcare Supplies at a level that is adequate for nursing home operations at the Facility and customary for nursing home operations of the nature and size carried on by Government Entity in the Facility. Upon termination of this Agreement, Government Entity shall assign to Nursing Home all such inventories of Healthcare Supplies.

18. PAYABLES AND RECEIVABLES

18.1. As of the Commencement Date, Government Entity shall not assume any payables and liabilities of Nursing Home as they exist on the commencement date. All receivables and payables of Nursing Home as they exist on Commencement Date shall remain the asset and liability, respectively, of Nursing Home.

ARTICLE III

OPERATIONAL COVENANTS OF GOVERNMENT ENTITY

19. NURSING HOME OPERATIONS

19.1. Throughout the Term of this Agreement, Government Entity shall continue to make available to residents of the Facility healthcare services as follows:

19.1.1. Government Entity shall use its best efforts to collect charges for its services from residents or any third-party payor source which is responsible for payment for services to an individual.

19.1.2. It is recognized that new procedures and protocols for nursing home care will become available over the Term of this Agreement, and these new procedures will be made available to residents of the Facility to the extent reasonable and customary in general nursing homes serving communities of like nature to that served by the Facility.

19.2. Within forty five (45) days following the end of each quarter during the Term of this Agreement, Government Entity shall furnish to Nursing Home unaudited interim financial statements of Government Entity as of the end of such calendar quarter. Within one hundred eighty (180) days following the end of each calendar year during the Term of this Agreement, Government Entity shall furnish to the Nursing Home audited financial statements, by a mutually agreed auditing firm. Such financial statements shall consist of at least a balance sheet and income statement.

19.3. In the operation of the Facility, Government Entity shall be responsible for all aspects of operation, including implementation of new nursing home procedures and protocols and Nursing Home notice, consideration, or approval shall not be required.

20. LICENSES AND PERMITS

20.1. Government Entity shall obtain and maintain throughout the Term of this Agreement all licenses and permits necessary for it to operate as the Licensed Facility and to provide the healthcare services required to be provided by it pursuant to this Agreement.

20.2. Government Entity agrees upon request by Nursing Home 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 Nursing Home and Nursing Home shall cooperate with Government Entity in obtaining all licenses, permits or other approvals necessary for operation of the Facility by Nursing Home.

21. LIABILITY INSURANCE

21.1. During the Term of this Agreement, Government Entity shall, cause to be maintained insurance coverage against comprehensive general liability and professional liability risk for damages directly or indirectly related to the performance of any service related to this Agreement and the use of the Facility in connection with this Agreement, in such amounts, on such terms and with such deductibles as are then commonly maintained by health service providers with facilities and operations similar to those of Government Entity. Nursing Home shall be named as an insured or additional insured on all such policies. Upon Nursing Home's request, from time to time, Government Entity will furnish Nursing Home with certificates evidencing such insurance and shall promptly advise Nursing Home of any change in the insurance maintained by Government Entity.

22. REGULATORY REQUIREMENTS

22.1. Government Entity will operate the Facility at all times in compliance with federal, state and local law, rules and regulations, and all accepted and generally approved methods and practices for the provision of the healthcare services provided therein.

ARTICLE IV BOOKS AND RECORDS

23. NURSING HOME BOOKS AND RECORDS

23.1. All books and records of the Nursing Home shall remain the property of Nursing Home. Government Entity shall have access to such books and records insofar as they pertain to Nursing Home's nursing home operations at the Facility during normal business hours.

24. GOVERNMENT ENTITY BOOKS AND RECORDS

24.1. All books and records of Government Entity pertaining to its operations under this Agreement shall be the property of Government Entity.

25. PATIENT RECORDS

25.1. All patient records in the possession of Nursing Home on the commencement date shall remain the property of Nursing Home but such records or copies thereof shall remain stored at the Facility throughout the Term of this Agreement. To the extent permitted by applicable law and regulations, Government Entity shall have access to such records at all times for medical purposes.

25.2. All patient records maintained by Government Entity and arising out of its operations under this Agreement or copies thereof shall be stored at the Facility throughout the Term of this Agreement and for a period of not less than ten (10) years thereafter. At any time during the ten (10) year period following expiration or termination of this Agreement, Nursing Home shall have access to such records for medical purposes.

25.3. Neither Nursing Home nor Government Entity shall destroy, dispose of or grant access to patient records except in compliance with applicable law and regulations.

ARTICLE V

TERM AND TERMINATION

26. TERM

26.1. The term of this Agreement shall be for a term of five (5) years commencing on June 1, 2014 (the "Commencement Date") and terminating on the fifth anniversary of the Commencement Date (the "Term"). Not less than one hundred twenty (120) days prior to the expiration of the Term of this Agreement or any renewal hereof, the parties shall commence discussions in good faith regarding the extension, modification or replacement of this Agreement for an additional one (1) year period; provided, however, that neither party shall be obligated to extend, modify or replace this Agreement.

27. TERMINATION

27.1. In the event of a breach or default under this Agreement by a party, the other party may terminate this Agreement upon thirty (30) days' written notice to the breaching or defaulting party specifying the breach or default relied upon, provided, however, that such notice of termination shall not be effective if, prior to the 31st day following the notification of intent to terminate, the breach or default specified in the notice is cured to the satisfaction of the party alleging breach.

27.2. Either party may terminate this Agreement without cause upon ninety (90) days prior written notice.

ARTICLE VI
CONDITIONS TO EFFECTIVENESS

28. LICENSES, LITIGATION AND CONSENTS

28.1. The Term of this Agreement shall not commence and this Agreement shall be of no force and effect unless on the Commencement Date:

(a) Government Entity shall have obtained all licenses and permits necessary to allow it to legally perform its obligations hereunder; and

(b) No suit, action or proceeding is pending in any court or before any governmental administrative body seeking to enjoin or otherwise prevent the consummation or performance of this Agreement by either party.

(c) All governmental authorizations, consents and approvals, if any, necessary to legal consummation of this Agreement have been obtained.

ARTICLE VII
INDEMNITIES

29. INDEMNITIES OF NURSING HOME

29.1. Nursing Home shall defend and indemnify Government Entity and hold Government Entity wholly harmless from and against any and all losses, liabilities, damages, costs (including, without limitation, court costs and costs of appeal) and expenses (including without limitation reasonable attorney's fees) that Government Entity incurs as a result of or with respect to:

(a) any breach of or default under this Agreement by Nursing Home; and

(b) except with respect to obligations otherwise assumed by Government Entity hereunder, any claim or cause of action against or liability or obligation (actual or alleged), of any nature whatsoever of Nursing Home arising out of or relating to the use or operation of the Facility or any other business of Nursing Home prior to the Commencement Date, or any act or omission of Nursing Home, or any of its agents, employees, or officers, occurring prior to the Commencement Date, including, without limitation, any claim or cause of action arising out of or relating to any act of malpractice occurring prior to the Commencement Date.

30. INDEMNITIES OF GOVERNMENT ENTITY

30.1. Government Entity shall defend and indemnify Nursing Home and hold each of Nursing Home wholly harmless from and against any and all losses, liabilities, damages, costs (including, without limitation, court costs and costs of appeal) and expenses (including, without limitation, reasonable attorney's fees) that Nursing Home incurs as a result of or with respect to:

(a) any breach of or default under this Agreement by Government Entity; and

any claim or cause of action against or liability or obligation (actual or alleged), of any nature whatsoever of Government Entity arising out of or relating to the use or operation of the Facility or any other business of Government Entity on or after the Commencement Date, or any act or

omission of Government Entity, or any of its agents, employees, or officers, occurring on or after the Commencement Date, including, without limitation, any claim or cause of action arising out of or relating to any act of malpractice occurring on or after the Commencement Date.

31. PROCEDURE FOR INDEMNIFICATION

31.1. The following procedures shall apply with respect to any claims or proceedings covered by the foregoing agreements to indemnify and hold harmless:

(a) The party who is seeking indemnification (the "Claimant") shall give written notice to the party from whom indemnification is sought (the "Indemnitor") promptly after the Claimant learns of the claim or proceeding; provided that the failure to give such notice shall not relieve the Indemnitor of its obligations hereunder provided the Claimant uses its best efforts to mitigate damages and except to the extent Indemnitor is actually damaged by the failure to give prompt notice.

(b) With respect to any third party claims or proceedings as to which the Claimant is entitled to indemnification, the Indemnitor shall have the right to select and employ counsel of its own choosing to defend against any such claim or proceeding, to assume control of the defense of such claim or proceeding, and to compromise, settle or otherwise dispose of the same, if the Indemnitor deems it advisable to do so, all at the expense of the Indemnitor; provided, however, that if Indemnitor assumes defense of the claim, the Claimant may employ counsel, of its own choosing, at its sole expense. The parties will fully cooperate in any such action, and shall make available to each other any books or records useful for the defense of any such claim or proceeding. The Claimant may elect to participate in the defense of any such third party claim and may, at its sole expense, retain separate counsel in connection therewith. Subject to the foregoing, the Claimant shall not settle or compromise any such third party claim without the prior consent of the Indemnitor, which consent shall not be unreasonably withheld.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

32. RELATIONSHIP BETWEEN THE PARTIES

32.1. The relationship between the Nursing Home and Government Entity is a contractual relationship between independent entities. Neither is an agent or employee of the other, nor does an agency-type relationship exist between the entities. Nursing Home shall not have the right or authority to direct or supervise Government Entity in the delivery of healthcare services required to be delivered by Government Entity nor shall Nursing Home have the right or authority to direct or supervise the operations of the Facility. Nursing Home acknowledges that said healthcare services and operations of the Facility are not limited to provision by governmental bodies.

33. MUTUAL RIGHT OF OFFSET

33.1. If either party shall be owed money by the other party by reason of the provisions of this Agreement or any agreement collateral hereto, such party may collect such funds by offsetting the amounts owed to it against any amounts owed by such party to the other party under this Agreement or any agreement collateral hereto.

34. SEVERABILITY

34.1. Each provision of this Agreement is intended to be severable. If any term or provision hereof shall be determined by a court of competent jurisdiction to be illegal or invalid for any reason whatsoever, such provision shall be severed from this Agreement and shall not affect the validity of remainder of this Agreement.

35. WAIVER; CONSENTS

35.1. No consent or waiver, express or implied, by either party hereto of any breach or default by the other party in the performance by the other of its obligations hereunder shall be valid unless in writing, and no such consent or waiver shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other party of the same or any other obligations of such party hereunder. Failure on the part of either party to complain of any act or failure to act of the other party or to declare the other party in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder. The granting of any consent or approval in any other instance by or on behalf of any party hereto shall not be construed to waive or limit the need for such consent in any other or subsequent instance.

36. GOVERNING LAW / VENUE

36.1. This Agreement shall be governed by the laws of the State of Texas and venue for any disputes shall be exclusively the district courts of McCulloch County, Texas.

37. REMEDIES

37.1. All rights, powers and remedies granted to either party by any particular term of this Agreement are in addition to, and not in limitation of, any rights, powers or remedies which it has under any other term of this Agreement, at common law, in equity, by statute, or otherwise. All such rights, powers and remedies may be exercised separately or concurrently, in such order and as often as may be deemed expedient by either party. No delay or omission by either party to exercise any right, power or remedy shall impair such right, power or remedy or be construed to be a waiver of or an acquiescence to any breach or default. A waiver by either party of any breach or default hereunder shall not constitute a waiver of any subsequent breach or default.

38. LAW CHANGE

38.1. Any provision hereof to the contrary notwithstanding, if any constitutional provision, statute, rule, regulation or order binding on the Nursing Home or the Facility shall at any time be adopted, promulgated, issued or discovered that renders the performance of this Agreement illegal in whole or in part, the parties shall use their best efforts to take all actions necessary to cure such illegality. If the parties are unable to agree to effective curative actions, this Agreement may be terminated by either party.

39. GOVERNMENT ACCESS

39.1. Upon the written request of the Secretary of Health and Human Services or the Comptroller General or any of their duly authorized representatives, Government Entity will make available those contracts, books, documents, and records necessary to verify the nature and extent of the costs of providing services under this Agreement. Such inspection shall be available up to four (4) years after the rendering of such services. If Government Entity carries out any of the duties of this Agreement through a subcontract with a value of \$10,000 or more over a 12-month period with a related individual or organization, Government Entity agrees to include this requirement in any such subcontract. This Section is included pursuant to and is governed by the requirements of Public Law 96-499, Sec. 952 (Sec. 1861(v) (1) (I) of the Social Security Act) and the regulations promulgated thereunder. No attorney-client, accountant-client or other legal privilege will be deemed to have been waived by any party hereto by virtue of this Agreement.

40. ASSIGNMENT

40.1. No party hereto shall have the right to assign or delegate this Agreement, or any portion hereof, without the prior written approval of the other party.

41. SUCCESSOR IN INTEREST

41.1. All of the rights, benefits, duties, liabilities, and obligations of the parties hereto shall inure to the benefit of and be binding upon the parties and each of the parties' successors and assigns.

42. MODIFICATION OF AGREEMENT

42.1. This Agreement shall constitute the entire agreement between the parties hereto relating to the subject matter of this Agreement. To be effective, any modification of this Agreement must be in writing and signed by each of the parties.

43. HEADINGS

43.1. The headings of the Sections and Articles of this Agreement are inserted for convenience of reference only and shall not in any manner affect the construction or meaning of anything herein contained or govern the rights or liabilities of the parties hereto.

44. NOTICES

44.1. All notices, requests, and communications required or permitted hereunder shall be in writing and shall be sufficiently given and deemed to have been received upon personal delivery or delivery by overnight courier or, if mailed, upon the first to occur of actual receipt or seventy-two (72) hours after being placed in the United States mail, postage prepaid, registered or certified mail, receipt requested, addressed to the parties as follows:

NURSING HOME:

Fourcooks Realty LLC
6813 Catus Drive
Waco, Texas 76712
Attention: Michael Bumpass

GOVERNMENT ENTITY:

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

With copies to:

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

Kevin Nolting
Chris Dockal
10812 Wintergreen Hill
Austin, Texas 78750

Notice of a change in address of one of the parties shall be given in writing to the other party as provided above, but shall be effective only upon actual receipt.

45. NONDISCRIMINATION

45.1. Government Entity will not discriminate on the basis of race, sex, age, religion, national origin, or handicap in providing services required by this Agreement or in the selection of employees or independent contractors.

46. COUNTERPARTS

46.1. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be one and the same instrument.

47. EXPENSES

47.1. Expenses. If either party hereto fails to pay or perform its obligations hereunder, and if the other party hereto obtains the services of an attorney for enforcement of such obligations and suit is filed to enforce such obligations, or if proceedings are had in any bankruptcy, probate, receivership or other judicial proceedings for the establishment or enforcement of such obligations, or if any amount owing by either party hereunder is collected through such proceedings, the parties agree that the losing party shall pay the prevailing party's reasonable attorneys' fees and expenses in connection with such matter.

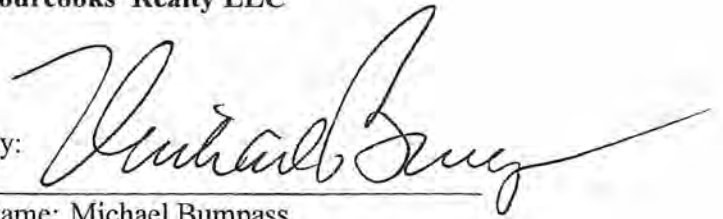
[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have hereunto set their hand as of the day
and year first above written.

NURSING HOME:

Fourcooks Realty LLC

By:

A handwritten signature in black ink, appearing to read "Michael Bumpass", written over a horizontal line.

Name: Michael Bumpass

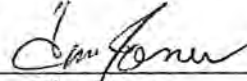
Title: Manager

[ADDITIONAL SIGNATURE PAGE FOLLOWS.]

GOVERNMENT ENTITY:

McCulloch County Hospital District

By:

A handwritten signature in black ink, appearing to read "Tim Jones", written over a horizontal line.

Name: Tim Jones

Title: CEO

[ADDITIONAL SIGNATURE PAGE FOLLOWS.]

EXHIBIT A

Legal Description

Property (including any improvements): BEING 6.123 acres of land lying in and being situated out of Section 7, Block X, CCSD&RGNG RR Co. Survey, in Crane County Texas and being all of that same 6.13 acre tract of land conveyed to Regency Crane Realty, Ltd. a Texas limited partnership by Special Warranty Deed dated August 12, 2002 and recorded in Volume 439, Page 738 of the Official Public Records of Crane County, Texas; said 6.123 acre tract being more particularly described as follows and as surveyed under the supervision of Watson and Associates of Midland, Inc. in August 2003:

BEGINNING at an iron rod with cap marked "RPS 4456" found for an interior corner of the residue of that certain 39.02 acre tract conveyed to Crane County by deed recorded in Volume 365, Page 644 of said Official Public Records and the Southeast corner hereof and from which a 4 inch pipe fence corner post found for the Southeast corner of said Section 7 bears South 15° 00' 36" East a distance of 751.91 feet and North 74° 59' 24" East a distance of 1311.80 feet;

THENCE South 75° 01' 01" West a distance of 485.69 feet along the North line of said 39.02 acre tract to an iron rod with cap marked "RPS 4456" found for an interior corner of said 39.02 acre tract and the Southwest corner hereof;

THENCE North 15° 01' 11" West a distance of 449.78 feet along the East line of said 39.02 acre tract to an iron rod with cap marked "RPS 4456" found in the South line of the residue of that certain tract conveyed to Steve Holifield, Jr. by deed recorded in Volume 324, Page 383 of the Official Public Records of Real Property, Crane County, Texas for an ell corner of said 39.02 acre tract and hereof and from which an iron rod with cap found for the Northwest corner of said 39.02 acre tract bears South 75° 00' 31" West a distance of 889.36 feet along the North line of said 39.02 acre tract;

THENCE North 75° 02' 14" East a distance of 205.59 feet along the South line of said Holifield tract to an iron rod with cap marked "RPS 4456" found for an interior corner hereof;

THENCE North 15° 00' 37" West a distance of 495.60 feet along the East line of said Holifield tract to a rail road spike found in the curving south r-o-w line of State Highway 329 for an ell corner hereof;

THENCE along said curving r-o-w to the left having an arc distance of 103.16 feet with a radius of 5789.47 feet and a chord bearing North 89° 18' 09" East a distance of 103.16 feet to a point for an ell corner hereof and from which an iron rod with cap marked "RPS 4456" found bears North 14° 59' 50" West a distance of 4.54 feet;

THENCE South 14° 59' 50" East a distance of 470.00 feet along the West line of said Holifield tract to an iron rod found for an interior corner hereof;

THENCE North 74° 56' 56" East a distance of 180.33 feet along the South line of said Holifield tract to an iron rod with cap marked "RPS 4456" found for an ell corner of said 39.02 acre tract and hereof;

THENCE South 15° 00' 36" East a distance of 450.06 feet along the West line of said 39.02 acre tract to the POINT OF BEGINNING and containing 6.123 acres of land, more or less.

April 10th, 2014

NOTICE

The Board of Directors of the McCulloch County Hospital District will hold its regular meeting on Tuesday, April 15, 2014 at 7:30am. in the Hospital Board room located at 2008 Nine Road, Brady Texas. The Board of Directors may take action on any item on its agenda it may determine would be appropriate.

The subject matter of the meeting is as follows:

1. The meeting is called to order.
2. Call for Public Comments. (limit 5 minutes)
3. Approve the minutes from the November 26th, 2013 board meeting-
Action.
4. Presentation of McCulloch County Hospital District Financial Reports.
5. Discussion and Approval of Fiscal Year 2015 Budget. Action.
6. Review and discuss TDSHS transfer license application and discuss
operational responsibilities.
7. District will receive a report and deliberate and take action if necessary,
regarding participation in the Medicaid 1115 nursing home waiver
program.
8. Review and Discuss the potential sale of land.
9. Executive Session: District may retire to closed, executive session, to
discuss, deliberate and receive information concerning the sale and / or
value of real property pursuant to Texas Government Code, section
551.072
10. Adjournment.

I, the undersigned authority, do hereby certify that the attached notice of the McCulloch County Hospital District is a true and correct copy of said notice. I posted true and correct copies of said notice at the Courthouse in Brady, Texas, on the official bulletin board and on the front entrance door of the hospital, in a place convenient and readily accessible to the general public, both being posted at least 72 hours proceeding the time of the meeting.


Tim Jones, Secretary

POSTED

APR 10 2014

**TINA A. SMITH
McCULLOCH COUNTY CLERK**

McCulloch County Hospital District
BOARD OF DIRECTORS MEETING
April 15, 2014

Those board members in attendance were: Clay Jones, Rod Young, Richard Lane, Michele Young-Derrick, Gary Schroeder, Terry Keltz and Joe King. Also in attendance were; Tim Jones, CEO, Ed Watson, CFO, and Tonya Weatherman.

The meeting was called to order by Clay Jones at 7:32 am.

Call for Public Comments:

There were no public comments.

Approval of Minutes:

The minutes of the November 26, 2013, Board Meetings were presented for review and approval. Michele Young-Derrick made a motion to approve the minutes. Joe King seconded the motion. Motion carried 6-0.

Presentation of McCulloch County Hospital District Financials

Financial reports and statistics for the District were presented by Ed Watson, CFO-HOTHS. For December 2013, January 2014 and February 2014, the District had inflows of \$220,799 and outflows of \$1,777,693 for a net inflow of <1,556,893>. DME expenses, depreciation, note payments, and IGT's were the majority of the expenses.

The 2015 Budget was also presented. Inflows were projected to be \$5.84m with outflows of \$7.15m. Net inflows were <\$1.31m>. DME expenses, insurance, depreciation, note payments, and IGT's were the majority of the expenses. Rent, IGT's, DME income and tax collections composed most of the revenue sources.

Discussion and Approval of Fiscal Year 2015 Budget. Action

Ed Watson, CFO presented the FY 2015 budget for review. Gary Schroeder made a motion to approve the FY 2015 budget. Terry Keltz seconded the motion. Motion carried 6-0.

Review and discuss TDSHS transfer license application and discuss operational responsibilities.

Tim Jones, CEO presented information regarding operation of a transfer service. After a brief discussion Dr. Lane made a motion to move forward with the transfer license application. Rod Young seconded the motion. Motion carried 6-0.

District will receive a report and deliberate and take action if necessary regarding participation in the Medicaid 1115 nursing home waiver program.


Tim presented information to the board regarding the Medicaid 1115 nursing home waiver program. After discussion, Dr. lane made a motion to allow Tim to move forward with participating and discussion of the Medicaid 1115 nursing home waiver program. Gary Schroeder seconded the motion. Motion carried 6-0.

Review and Discuss potential sale of land

Tim informed the board that he had been approached by CP Homes out of Dallas about the potential to purchase 3 acres from the hospital to build an assisted living facility. Tim informed the board that if the sale was approved the contract would include the intent to build an Assisted Living.

Terry Keltz made a motion to move forward with the potential sale of the land. Rod Young seconded the motion. Motion carried 6-0.

Richard Lane made a motion to adjourn the meeting at 8:54am. Joe King seconded the motion. Motion carried 6-0.



W. Clay Jones
Chairman

NOTICES

The McCulloch County Hospital District Board of Directors will review the proposed budget for Fiscal Year 2015 at a meeting to be held on Tuesday, April 15th, 2014, at 7:30 a.m. in the hospital board room located at 2008 Nine Road, Brady, Texas.

11.2. In order to assure that the building and other improvements and personal property to be insured hereunder are continually insured to their full value with replacement cost insurance, the full replacement value of said insurable improvements shall be determined by the company issuing the insurance policy at the time the policy is initially obtained. Not more frequently than once every two (2) years, Nursing Home shall have the right to notify Government Entity that it elects to have the replacement value redetermined by an insurance company, or by appraisal. The redetermination shall be made promptly and in accordance with the rules and practices of the Board of Fire Underwriters, or a like board recognized and generally accepted by the insurance industry, and each party shall be promptly notified of the results by the company. The insurance policy shall be adjusted according to the determination. If the insurance company refuses to determine initial value or to redetermine value upon request, then the parties shall engage a qualified appraiser to determine full replacement value of the insurable improvements, the cost and expenses of which appraisal shall be the responsibility of and paid by Government Entity. Subject to the termination right set forth in Section 11.1 in the event of an increase in value over 5% in any Lease Year, Government Entity shall be obligated to forthwith increase the insurance coverage and pay the premiums therefore in accordance with any such determination.

11.3. The parties release each other, and their respective owners, officers, directors, partners, and agents, from any claims for damage to any person or to the Facility or any part thereof, Government Entity's improvements, and alterations of either Nursing Home or Government Entity in, on or about the Facility that are caused by or result from risks insured against under any insurance policies carried by the parties and in force at the time of any such damage. Each party shall cause each insurance policy obtained by it to provide that the insurance company waives all right of recovery by way of subrogation against either party in connection with any damage covered by any policy. Neither party shall be liable to the other for any damage caused by fire or any of the risks insured against under any insurance policy required by this Agreement. If any insurance policy cannot be obtained with a waiver of subrogation, or is obtainable only by the payment of an additional premium charge above that charged by insurance companies issuing policies without waiver of subrogation, the party undertaking to obtain the insurance shall notify the other party of this fact. The other party shall have a period of ten (10) days after receiving the notice either to place the insurance with a company that is reasonably satisfactory to the other party (and, in the case of insurance required to be carried by Government Entity hereunder, complying with all other provisions hereof) and that will carry the insurance with a waiver of subrogation, or to agree to pay the additional premium if such a policy is obtainable at additional cost. If the insurance cannot be obtained or the party in whose favor a waiver of subrogation is desired refuses to pay the additional premium charged, the other party is relieved of the obligation to obtain a waiver of subrogation rights with respect to the particular insurance involved.

11.4. All insurance policies required under this lease shall:

11.4.1. Be issued by insurance companies authorized to do business in the state of Texas;

11.4.2. Be issued as a primary policy; however, Government Entity may carry the insurance under a blanket policy if the policy specifically provides that the amount of insurance required under this Agreement will be in no way prejudiced by other losses covered by the policy; and

11.4.3. Contain an endorsement requiring thirty (30) days written notice from the insurance company to all parties hereto before cancellation or material change in the coverage, scope, or amount of any policy.

11.5. The policy, or a certificate of the policy itemizing all coverages and extensions of coverage along with a copy (not a memorandum copy) of the policy together with evidence of payment of premiums, shall be deposited with Nursing Home at the Commencement Date, and on renewal of the policy, not less than twenty (20) days before expiration of the term of the policy. Nursing Home shall be named as an insured (or additional insured) in the policy and all renewals and replacements thereof. The parties recognize that under the Tort Claims Act, located at title 5, chapter 101 of the Texas Civil Practice and Remedies Code, the Government Entity's liability is limited under Section 101.023(b), as a unit of local government, to money damages in a maximum amount of \$100,000 for each person, and \$300,000 for each single occurrence for bodily injury or death, and \$100,000 for each single occurrence for injury to or destruction of property.

11.6. Deductible provisions per loss contained for all insurance policies required by this Agreement shall be for the account of and payable by Government Entity and shall not exceed an aggregate amount of \$10,000.00.

11.7. The proceeds from any and all hazard insurance policies shall be used solely for the purpose of repair, reconstruction, remodeling and replacement of the Facility or any part thereof damaged or destroyed, and subject further to the provisions of Article 13, shall be held in trust for such purposes.

11.8. In the event Government Entity does not maintain any of the foregoing policies of insurance, Nursing Home may, but shall not be obligated to, pay the premiums therefore, and such amounts plus interest at the maximum rate permitted by law, or if no maximum rate applies, at the rate of 12% per annum, from the date Nursing Home made payment until the date of reimbursement shall be additional Rent due hereunder and payable by Government Entity on the next payment date for Rent. Nursing Home's election to make said payments shall not be deemed a waiver of any other remedies, or an election of remedies by Nursing Home nor as liquidated damages.

12. CONDEMNATION

12.1. Definitions:

12.1.1. "Condemnation" means (1) the exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor, and (2) a voluntary

sale or transfer by Nursing Home to any condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

12.1.2. "Date of Taking" means the date the Condemnor has the right to possession of the property being condemned.

12.1.3. "Award" means all compensation, sums, or anything of value awarded, paid, or received on a total or partial Condemnation.

12.1.4. "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

12.2. If during the Term there is any taking of all or any part of the Premises or any interest in this Agreement by Condemnation, the rights and obligations of the parties shall be determined pursuant to the provisions of this Article 12.

12.3. If the Premises are totally taken by Condemnation, this Agreement shall terminate on the Date of Taking.

12.4. If any portion of the Premises is taken by Condemnation, this Agreement shall remain in effect, except that Government Entity can elect to terminate this Agreement if the remaining portion of the building or other improvements or the parking area that are a part of the Facility is rendered unsuitable for Government Entity's continued use of the Facility. If Government Entity elects to terminate this Agreement, Government Entity must exercise its right to terminate pursuant to this Section by giving notice to Nursing Home within thirty (30) days after the nature and extent of the taking have been finally determined. If Government Entity elects to terminate this Agreement as provided in this section, Government Entity also shall notify Nursing Home of the date of termination, which date shall not be earlier than thirty (30) days nor later than ninety (90) days after Government Entity has notified Nursing Home of its election to terminate; except that this Agreement shall terminate on the Date of Taking if the Date of Taking falls on a date before the date of termination as designated by Government Entity. If Government Entity does not terminate this Agreement within the thirty (30) day period, this Agreement shall continue in full force and effect.

12.5. If any portion of the Facility is taken by Condemnation and this Agreement remains in full force and effect, on the Date of Taking the Rent shall be reduced by an amount that is in the same ratio to Rent as the value of the area of the portion of the Facility taken bears to the total value of the Facility immediately before the Date of Taking.

12.6. If there is a partial taking of the Facility and this Agreement remains in full force and effect pursuant to Section 12.4 above, Nursing Home at its cost shall accomplish all necessary restoration. Rent shall be abated or reduced during the period from the Date of Taking until the completion of restoration, but all other obligations of Government Entity under this Agreement shall remain in full force and effect. The