

**HOSPITAL LEASE, OPERATING AND
INDIGENT CARE AGREEMENT**

AGREEMENT, to be effective April 1, 2011 at 12:01 a.m. ("Commencement Date"), by and among HEART OF TEXAS HEALTHCARE SYSTEM, a Texas corporation ("System"), and McCULLOCH COUNTY HOSPITAL DISTRICT, a body politic and corporate and a political subdivision of the State of Texas, established and created pursuant to Article IX, Section 9 of the Texas Constitution and Chapter 1050, of the Texas Special District Local Laws Code (Vernon's 2009), owner and operator of Heart of Texas Hospital, located at 2008 Nine Road, Brady, Texas 76825.

WITNESSETH:

WHEREAS, District provides healthcare related services to the residents of the District and to others through the operation of the healthcare facilities including the hospital, located at 2008 Nine Road, Brady, Texas 76825 to be leased hereunder (collectively, the "Facilities" and/or "Premises");

WHEREAS, System desires to lease the Facilities from District and District desires to lease the Facilities to System which will continue to operate the Facilities as healthcare facilities, upon the terms and subject to the conditions set forth in this Agreement.

WHEREAS, the Board of Directors of the District has determined that it is in the best interest of the residents of the District, and in furtherance of the District's purposes, to lease all assets, real, personal and mixed, tangible and intangible, owned or leased by District and associated with or employed in the operations of its hospital to System, which will use the property for hospital purposes 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, District hereby leases to System and System hereby leases from District all real property and all tangible personal property owned by District, located in the Facility and used in the conduct of District's hospital business. The premises and personal property leased are hereinafter collectively referred to as the "Facility".

1.2. The Facility is presently licensed by the State of Texas to operate as a hospital, and is certified and participates as a provider under Medicare and Medicaid legislation and regulations, and is a critical access designated health facility under Medicare regulations. Reference hereinafter to the "Licensed Facility" shall mean the Facility as so licensed and certified.

2. WARRANTIES

2.1. District has made no representations or warranties, express or implied, nor does District make any herein regarding the condition of the Facility or any part thereof including without limitation the structural soundness thereof or the Facility's fitness for any particular use or occupancy. District further hereby specifically disclaims any representations and/or warranties, both express and implied in law, with respect to the condition, habitability, or suitability of the Facility, or any part thereof, for the use and purposes permitted hereunder or

any other purpose, and District does not represent or warrant that the Facility or any part thereof complies with any laws relating to the uses and occupancy thereof. System 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 System, subject to Articles 6 and 7, shall be fully responsible for the cost of and for effectuating any and all 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 District is not responsible for and System shall hold District harmless in connection with any such repairs, maintenance, or replacements.

3. RENT

3.1. System shall pay to District a monthly rent during each month of the term hereof, without deduction, setoff, prior notice or demand, in the amount of \$150,000 together with those payments as required in Exhibit B attached hereto and incorporated by reference herein.

3.2. The monthly 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 lease commences. If the lease term commences on a day other than the first day of a month, monthly rent for such partial month shall be prorated at the rate of 1/30th of the monthly rent per day.

3.3. All rent shall be paid to District at such address as may be designated by District from time to time in writing to System.

3.4. It is the purpose and intent of District and System that the monthly rent provided herein shall be absolutely net to District so that this lease shall yield net to District the monthly

rent specified in this lease in each month during the term of this lease and, except as otherwise specifically provided herein, District 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, or insurance premiums of any kind, or maintenance of any kind, including structural or exterior maintenance, or license fees. Excluding encumbrances and debts listed on Exhibit 1 for which District is liable, 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 System which may accrue or become due during or out of the term or any renewal thereof shall be paid by System and District shall be indemnified and saved harmless by System from and against the same.

4. TAXES AND ASSESSMENTS

4.1. System shall pay all taxes, assessments, license fees, and other charges (“personal property taxes”) that are levied and assessed against the personal property, including leasehold improvements, furniture, fixtures and equipment installed, whether by District or System, or located in or about the premises, which taxes accrue during the term, regardless of when the same may be payable.

4.2. System shall pay all real property taxes, assessments and levies, both general and special (“real property taxes”) which are or are hereafter levied, assessed, or are otherwise imposed, against the premises during the term, regardless of when the same may be payable.

4.3. District shall furnish System with the tax bills promptly following receipt thereof by District. Subject to such delivery, System shall pay the respective taxes not later than the

taxing authority's delinquency date as to each installment, and shall furnish District with satisfactory evidence of these payments promptly following such payments.

4.4. System's liability to pay real 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 System shall pay such prorations when the prorated tax installment becomes due.

4.5. System shall have the right to contest or review by legal proceeding, or in such other manner as it may deem suitable (which, if instituted, System shall conduct promptly at its own expense, and free of any expense to District, and if necessary, in the name of District) any real property taxes. System may defer payment of a contested item upon condition that, before instituting any such proceeding, System shall furnish to District security reasonably satisfactory to District and such lender sufficient to cover the amount of any contested real property taxes. Notwithstanding the furnishing of any such security, System shall promptly pay such contested item if at any time the premises or any part thereof shall be in danger of being sold or forfeited. 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 System, System shall be entitled to such refund to the extent of such payment.

4.6. System 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. System shall use the premises, including but not limited to the Hospital facility, the Rural Health Clinic, and the Physical Therapy buildings all as described on Exhibit 3, at all times for a licensed hospital and for no other use without District's prior written consent.

5.2. System's use of the premises as provided in this lease shall be in accordance with the following:

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

5.2.2. System shall cause the Facility to be and remain licensed and certified hospital by the applicable federal, state, and local governmental agencies as the licensed Facility, and shall maintain such license(s) and certifications during the term of this lease. At System's sole expense, System shall cause the premises to conform to the requirements and provisions of all applicable laws concerning the use of the premises as the licensed Facility including, without limitation, the obligation at System's sole cost to alter, maintain, replace or restore the premises or any part thereof in compliance and conformity with all laws relating to the condition, use or occupancy of the premises as the licensed Facility during the term. System shall deliver to District, 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. System 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. System shall not do anything on the premises that will cause damage to the Facility or any part thereof.

5.2.5. So long as this Agreement is in effect, System may use the name Heart of Texas Memorial Hospital in connection with the operation of the Facilities.

5.2.6. District Office Space. During the term of this Agreement and any renewal term, System shall provide without charge to District reasonable office space, copy service, internet access, and utilities within the administrative offices of the Facility for District's use in managing the District's ongoing operations as well as assist with posting proper notice of District Board meetings, agenda and other organization assistance to District.

6. MAINTENANCE

6.1. System shall, during the term of this lease, at its sole cost and expense, maintain 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 hereto and appurtenances thereof, including all adjacent sidewalks and alleys. System's obligation to maintain the premises shall specifically include, without limitation, the obligation to make any and all repairs and to repaint and/or restain all painted and wood surfaces of the premises and restripe the parking areas as required. District shall not have any responsibility to maintain the Facility or any part thereof including, without

limitation, any structural maintenance, repair or replacement. System waives all rights under any laws which may provide for System's right to make repairs and deduct the expenses of such repairs from rent or other payments due to District.

6.2. System shall, at its sole cost and expense, during the term of this lease, keep and maintain 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, System shall have the right to install on the premises any and all equipment and fixtures which System desires to install thereon and which are necessary or convenient to System's permitted use of the premises as permitted herein, without the consent of District. All such property so installed by System shall become District's property upon termination of this Agreement unless prior to the installation or placement of such property on the premises System shall obtain District's written agreement that such property shall remain the property of System. Except as provided below, System shall not remove the personal property and/or replacements thereof or any part thereof from the premises, without the prior written consent of District. System 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 lease at System's sole cost and expense. Items being replaced by System may not be removed without District's prior consent and shall become the property of District, and items replacing same shall be and remain the property of District subject to removal by System

only with prior written consent of District. System agrees, upon written request from District, to execute any and all documents necessary to assist District to fully evidence District's ownership of the personal property.

6.3. System shall, throughout the term of this lease, make all repairs, alterations, replacements and additions to the Facility required by law and/or 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 any of the building or structures shall exceed \$25,000 in any annual period, System may, at its option, terminate this Agreement upon 60 days written notice unless the District shall agree to bear the cost of required alterations and additions in excess of \$25,000.

6.4. Anything to the contrary herein notwithstanding, if any personal property placed on or installed on the property by System shall not become the property of District upon termination of this Agreement if such property is, at the date of termination, subject to a lien securing a purchase money obligation unless District has previously approved the purchase of the equipment in which case the District 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. System 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 District.

7. ALTERATIONS

7.1. System shall not make or allow to be made any alterations, remodeling or additions to the premises or any part thereof in excess of \$25,000.00 during any lease year

without District's prior written consent. Any alterations, remodeling or additions made shall remain on and be surrendered with the premises on expiration or termination of the term. Failure of District to respond within forty-five (45) days from System's request shall be deemed consent. District's consent shall not be necessary for emergency repairs, or alterations, etc. which are required for continued licensing and/or certification of the Facility.

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

8. MECHANIC'S LIENS

8.1. System shall pay all costs for construction done by it or caused to be done by it on the Premises as permitted by this lease. System shall keep the Premises 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 System, (or anyone holding the Premises or any part thereof through or under System) unless District shall consent to such lien in advance.

8.2. System shall have the right to contest the correctness or validity of any such lien if System provides reasonable security for same. System hereby indemnifies District against any such lien or claim.

8.3. If System shall fail to discharge any such lien within thirty (30) days of its being filed or fails to furnish reasonable security therefor as may be required by District then, in addition to any other right or remedy of District resulting from System's said default, District 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. System shall repay to District, as additional rent, on demand, all sums disbursed or deposited by District 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 18% per annum. Nothing contained herein shall imply any consent or agreement on the part of District to subject District's Facilities to liability under any mechanic's or other lien law.

9. UTILITIES AND SERVICES

9.1. System shall make all arrangements for, and prior to delinquency pay for, all utilities and services furnished to the premises or used by it, including, without limitations, gas, electricity, water, sewer, telephone service, and trash collection, and for all connection charges and deposits required by any of said utilities. District shall not be liable for any interruption in the provision of any such utility services to the Premises.

10. INDEMNITY AND EXCULPATION

10.1. This lease is made upon the express condition that District, its employees, agents and successors (for purposes of this Article, the foregoing shall be referred to as "District") and the Facility are to be defended and held free and harmless by System 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 System, its employees, agents, contractors and invitees, or damage or destruction to property of any kind whatsoever and to whomsoever belonging including, without limitation, System, from any cause or causes, while

in, upon or in any way connected with the premises (including System's arranging or failure to arrange for competent medical care, or to render competent dietary and sanitary care to patients and occupants), the sidewalks adjacent to the premises, and the personal property located thereon, during the term of this lease and any extension thereof. System hereby agrees during the term of this lease and any extension thereof to indemnify, defend and save District 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 System's possession, occupancy and/or use of the premises or arising directly or indirectly out of the condition, use or misuse of the premises and the approaches and appurtenances thereto, including, without limitation, all adjacent sidewalks, alleys, and the parking area. Excluded from System's obligations set forth in this section are claims for damages which are the direct and proximate result of District's gross negligence, willful acts or omissions, or District's material breach of this lease.

10.2. System hereby agrees that District and the Facility shall not be liable (except for District's breach of this lease or its negligent or willful conduct or omission) for, and System hereby agrees during the term of this lease to indemnify, defend and save District 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 System's business or any loss of income therefrom or for damages to the goods, wares, merchandise or other property of System, System's person in or about the premises, 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 or lighting fixtures of the same, or from any other cause, whether the 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 the same is inaccessible to System.

11. INSURANCE

11.1. During the term of this lease, System at its cost shall maintain on all the personal property and all replacements thereof, and on the building and 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 premises are 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% full replacement value. The insurance policy or policies shall insure both District and System, as their interests appear. In case this lease is terminated, the insurance policy (if other than blanket) and all rights under it or the insurance proceeds shall be assigned to District at District's election. System shall pay the premiums for maintaining the insurance required hereunder while the lease is in force. If the fair market value of the building shall increase by more than 5% in any annual period and District does not consent to a limitation on the amount of coverage increase to that required by a 5% increase in value, System may at its option terminate this Agreement on 60 days written notice to District.

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 the 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, District shall have the right to notify System 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 System. System 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, System's improvements, and alterations of either District or System in, on or about the premises 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 lease. 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 System 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, System may carry the insurance under a blanket policy if the policy specifically provides that the amount of insurance required under this lease 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 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 District at the Commencement Date, and on renewal of the policy, not less than twenty (20) days before expiration of the term of the policy. District shall be named as an insured (or additional insured) in the policy and all renewals and replacements thereof.

11.6. Deductible provisions per loss contained for all insurance policies required by this lease shall be for the account of and payable by System and shall not exceed an aggregate amount of \$15,000.00.

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 to the provisions of Article 13, shall be held by the District in trust for such purposes.

11.8. In the event System does not maintain any of the foregoing policies of insurance, District 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 18% per annum, from the date District paid until the date of reimbursement shall be additional rent due hereunder and payable by System on the next payment date for monthly rent. District's election to make said payments shall not be deemed a waiver of any other remedies, or an election of remedies by District nor as liquidated damages.

11.9. System, at its sole cost and expense, shall further obtain and maintain adequate worker's compensation insurance (or evidence of an adequate self-insuring program if permitted by the laws of the state of Texas) covering all workmen, employees, servants and others engaged in or upon the premises.

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 District 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 lease by condemnation, the rights and obligations of the parties shall be determined pursuant to the provisions of this Article.

12.3. If the premises are totally taken by condemnation, this lease shall terminate on the date of taking.

12.4. If any portion of the premises is taken by condemnation, this lease shall remain in effect, except that System can elect to terminate this lease if the remaining portion of the building or other improvements or the parking area that are a part of the premises is rendered unsuitable for System's continued use of the premises. If System elects to terminate this lease, System must exercise its right to terminate pursuant to this section by giving notice to District

within thirty (30) days after the nature and extent of the taking have been finally determined. If System elects to terminate this lease as provided in this section, System also shall notify District of the date of termination, which date shall not be earlier than thirty (30) days nor later than ninety (90) days after System has notified District of its election to terminate; except that this lease shall terminate on the date of taking if the date of taking falls on a date before the date of termination as designated by System. If System does not terminate this lease within the thirty (30) day period, this lease shall continue in full force and effect.

12.5. If any portion of the premises is taken by condemnation and this lease remains in full force and effect, on the date of taking the minimum monthly rent shall be reduced by an amount that is in the same ratio to minimum monthly rent as the value of the area of the portion of the premises taken bears to the total value of the premises immediately before the date of taking.

12.6. If there is a partial taking of the premises and this lease remains in full force and effect pursuant to section 12.4 above, District 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 System under this lease shall remain in full force and effect. The abatement or reduction of rent shall be based on the extent to which the restoration interferes with System's use of the premises. If the award is not sufficient to pay for restoration, District may elect to furnish the deficiency, or District may elect to terminate this lease, at District's discretion, in which latter event, System may elect to furnish the deficiency by written notice to District within ten (10) days following District's notice to System of District's election to terminate hereunder.

12.7. If the lease remains in full force and effect, the award shall belong to and be paid to District. If the lease terminates, the award shall belong to and be paid to District.

13. DESTRUCTION

13.1. If during the term the premises are totally or partially destroyed from a risk required to be covered by the insurance described in Article 11, rendering the premises totally or partially inaccessible or unusable, System shall restore the premises to substantially the same condition as they were in immediately before destruction, whether or not the insurance proceeds are sufficient to cover the actual cost of restoration. Such destruction shall not terminate this lease. If the existing laws do not permit the restoration, either party can terminate this lease 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 premises are totally or partially destroyed from a risk not required to be covered by the insurance described in Article 11, rendering the premises totally or partially inaccessible or unusable, System shall restore the premises to substantially the same condition as they were in immediately before destruction. Such destruction shall not terminate this lease. If the existing laws do not permit the restoration, either party can terminate this lease immediately by giving notice to the other party. If the uninsured cost of restoration exceeds \$25,000.00, System can elect to terminate this lease by giving notice to District within thirty (30) days after determining the restoration cost and replacement value, which System agrees to promptly and diligently obtain. If System elects to terminate this lease, District, within twenty (20) days after receiving System's notice to terminate, can elect to pay the actual uninsured cost of restoration in excess of \$10,000.00, in which case System shall restore the premises and the lease shall remain in full

force and effect. On District's making its election to contribute, each party shall deposit immediately the amount of its contribution with the insurance trustee provided for in section 13.4 below. If the uninsured destruction does not exceed \$25,000.00, System shall immediately deposit the cost of restoration with the insurance trustee as provided in section 13.4.

13.3. If during the term the premises are destroyed from a risk covered by the insurance described in Article 11, and the total amount of loss does not exceed \$25,000.00, System shall make the loss adjustment including payment of any deductibles, with the insurance company insuring the loss. The proceeds shall be paid directly to System for the sole purpose of making the restoration of the premises in accordance with sections 13.7 et seq.

13.4. If during the term the premises are destroyed from a risk covered by the insurance described in Article 11 of this lease, and the total amount of loss exceeds \$25,000.00, System shall, with District'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 System as construction progresses, for payment of the cost of restoration. 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 premises are 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 System showing the amount due. If the insurance trustee, or District, 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. The reasonable expenses and charges of the person retained by the District or insurance trustee shall be paid out of the trust fund.

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, System and/or District (as applicable) 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 funds after compliance with the provisions of this Article shall be delivered to District. All actual costs and charges of the insurance trustee shall be paid by System.

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 District is required to or elects to restore the premises as provided in this Article, District shall not be required to restore alterations made by System, System's improvements, System's trade fixtures, and System's personal property, such excluded items being the sole responsibility of System to restore.

13.7. Promptly following the date that System is obligated to restore the premises, System at its cost shall prepare final plans and specifications and working drawings complying with applicable laws that will be necessary for restoration of the premises. The plans and specifications and working drawings shall be subject to approval by District. District 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 System. If District disapproves the plans and specifications and working drawings, District shall notify System of its objections and District'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 Brady, 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. System 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. System 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 System's reasonable control).

13.8.2. System shall retain a licensed contractor that is bondable. 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 District, during the period of construction. Such insurance shall contain waiver of subrogation clause in favor of District and System.

13.8.3. System shall notify District of the date of commencement of the restoration at least ten (10) days before commencement of the restoration. The contractor retained by System shall not commence construction until a performance bond and a labor and material payment bond in the full amount of the cost of restoration have been delivered to District to insure completion of the construction.

13.8.4. System shall accomplish the restoration in a manner that will cause the least inconvenience, annoyance, and disruption to the premises.

13.8.5. Prior to commencement of construction of the restoration and upon completion of the restoration, System shall immediately furnish District evidence satisfactory to District 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. System shall not voluntarily assign or encumber its interest in this lease or in the premises or personal property, or sublease all or any part of the premises or personal property, or allow any other person or entity (except System's agents, invitees and patients) to occupy or use all or any part of the premises or personal property, without first obtaining District's written consent. Any assignment, encumbrance, or sublease without District's written consent shall be voidable and, at District'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. District agrees not to unreasonably withhold its consent. If System is a corporation, any dissolution, merger, consolidation, or other reorganization of System, or (except with the consent of District) the sale or other transfer of a controlling percentage of the capital stock of System, or the sale of 51% of the value of the assets of System, shall be deemed a voluntary assignment. The phrase "controlling percentage" means the ownership of, and the right to vote, stock possessing at least 51% of the total combined voting power of all classes of System's capital stock issued, outstanding, and entitled to vote for the election of directors.

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

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

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

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

14.3. An involuntary assignment shall constitute a default by System and District shall have the right to elect to terminate this lease, in which case this lease shall not be treated as an asset of System. If a writ of attachment or execution is levied on this lease, System 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 District, shall be and remain the exclusive property of District and shall not constitute property of System or of the estate of System within the meaning of the Bankruptcy Code.

14.5. If System 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 lease on terms acceptable to System, 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 District 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 District by System no later than twenty (20) days after receipt by the System, but in any event no later than ten (10) days prior to the date that the System shall make application to a court of competent jurisdiction for authority

and approval to enter into such assignment and assumption, and District shall thereupon have the prior right and option, to be exercised by notice to System given at any time prior to the effective date of such proposed assignment, to accept an assignment of this lease 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 lease.

15. RIGHT OF ENTRY

15.1. District and its authorized representatives shall have the right to enter the premises at all reasonable times in order to:

15.1.1. Determine whether the premises are in good condition and whether System is complying with its obligations under this Agreement;

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

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

15.2. District shall not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance, or other damage arising out of District's entry on the premises as provided in this Article, except damage resulting from the negligent or intentional acts or omissions of District or its authorized representative.

15.3. System shall not be entitled to an abatement or reduction of rent or any part thereof if District exercises any rights reserved in this Article. District shall conduct its activities on the premises as allowed in this Article in a manner that will cause as little inconvenience, annoyance, or disturbance to System 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 sooner termination of the term, System shall surrender to District the personal property and the premises and all System's improvements and alterations thereto in good condition and fit for use by District as the licensed Facility (except for ordinary wear and tear) except for alterations that System 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 District to continue operation.

16.2. If System fails to surrender the premises and/or personal property to District on expiration of the term or ten (10) days after sooner termination of the term as required by this Article, System shall hold District harmless from all damages resulting from System's failure to surrender the premises and/or personal property, including, without limitation, claims made by a succeeding entity resulting from System's failure to surrender the premises and/or personal property.

16.3. If System, with District's written consent, remains in possession of the premises and/or personal property after expiration or termination of the term, or after the date in any notice given by District to System terminating this lease, such possession by System 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 lease except those pertaining to term shall apply to the month-to-month tenancy. System shall fully cooperate with District in turning the Facility over to District so as to assure to the District and patients uninterrupted patient care and continuous operation of the Facilities.

ARTICLE II

ASSIGNMENTS AND ASSUMPTIONS

17. INVENTORIES, SUPPLIES AND CONSUMABLES

17.1. District hereby assigns to System 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 District's healthcare operations (the "Healthcare Supplies").

17.2. System shall at all times during the term of this Agreement maintain inventories of Healthcare Supplies at a level adequate for hospital operations at a level that is customary for operations of the nature and size carried on by System. Upon termination of this Agreement, System shall assign to District all such inventories of Healthcare Supplies.

18. PAYABLES AND RECEIVABLES

18.1. As of the commencement date, System shall assume all payables and liabilities of District as they exist on the commencement date except those liabilities listed on Exhibit 1. District covenants that during the period subsequent to the date of this Agreement and prior to the commencement date it will incur no assumed payables other than in the ordinary course of business consistent with past practices and will continue to pay its payables in the ordinary course of business consistent with past practices.

18.2. As of the commencement date, District shall assign to System all of its prepaid assets and receivables arising out of healthcare operations as they exist on the commencement date except those receivables listed on Exhibit 2. Following the commencement date, District covenants that it will cooperate with System and use its commercially reasonable best efforts to facilitate the collection by System of all assigned receivables. Any proceeds of the assigned receivables received by District after the commencement date shall be turned over by District to System.

18.3 Net Valuation of Assignment of Receivables and Assumptions of Payables.

18.3.1 Date of valuation of Net Assignments and Assumptions shall be the Commencement Date of the lease.

18.3.2 System shall prepare the above valuation in accordance with Generally Accepted Accounting Principles, within 30 days of the commencement of the lease and will present to District's auditing firm of Durbin and Company. (To be attached at Exhibit 4.) Durbin and Company shall in turn present their opinion to District within 60 days of receipt from System. (To be attached at Exhibit 5.)

18.3.3 If lease should terminate, System guarantees that net valuation shall be no less than at the beginning of the lease.

19. CONTRACTS

19.1. As of the commencement date, to the extent permissible under applicable law and contract provisions, the District shall assign to System all of its contracts with third parties relating to healthcare operations. In the event the consent of a third party is required for any assignment, the parties covenant to cooperate and use their mutual best efforts to secure such

consents. System shall assume all obligations of District under the assigned contracts and shall thereafter perform such obligations in accordance with the terms of the assigned contracts.

ARTICLE III

OPERATIONAL COVENANTS OF PREFERRED

20. HOSPITAL OPERATIONS

20.1. Throughout the term of this Agreement, System shall continue to make available to residents of the District healthcare services encompassing substantially the same level and type of services as provided by the District in its hospital operations immediately prior to the Commencement Date of this Agreement. It is recognized that new treatment and diagnostic modalities will become available over the term of this Agreement, and these new services will be made available to residents of the District to the extent reasonable and customary in general hospitals serving communities of like nature to that served by the District.

20.2 Emergency Services District. System agrees to accept assignment of the rights and obligations for all purposes of District's course of conduct and arrangement with the Emergency Services District. More specifically, [Add details if applicable]

20.3. Within forty five (45) days following the end of each calendar quarter during the term of this Agreement, System shall furnish to District unaudited interim financial statements of System 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, System shall furnish to the District audited financial statements, by a mutually agreed auditing firm. Such financial statements shall consist of at least a balance sheet and income statement.

21. INDIGENT CARE

21.1. As a condition precedent to the effectiveness of this Agreement, on or before the commencement date, System shall execute and deliver to District an Indigent Care Agreement in the form attached hereto as Exhibit A. The Indigent Care Agreement is incorporated herein for all purposes.

22. LICENSES AND PERMITS

22.1. System shall obtain and maintain throughout the term of this Agreement all licenses and permits necessary for it to operate as a licensed hospital Facility and to provide the healthcare services required to be provided by it pursuant to this Agreement.

23. LIABILITY INSURANCE

23.1. During the term of this Agreement, System shall, at its sole cost and expense, maintain 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 any property provided by District 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 System. District shall be named as an insured or additional insured on all such policies. Upon District's request, from time to time, System will furnish District with certificates evidencing such insurance and shall promptly advise District of any change in the insurance maintained by System.

24. REGULATORY REQUIREMENTS

24.1. System will operate the facilities 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.

ARTICLE IV

EMPLOYEES

25. HIRING OF EMPLOYEES

25.1. System shall be permitted to interview all employees of District engaged in District's hospital operations and discuss with and offer employment to any of such employees.

25.2. As to any employee of District hired by System, System shall assume all of District's paid time off obligations.

ARTICLE V

BOOKS AND RECORDS

26. DISTRICT BOOKS AND RECORDS

26.1. All books and records of the District shall remain the property of District. System shall have access to such books and records insofar as they pertain to District's hospital operations during normal business hours.

27. PREFERRED BOOKS AND RECORDS

27.1. All books and records of System pertaining to its operations under this Agreement shall be the property of System.

28. PATIENT RECORDS

28.1. All patient records in the possession of District on the commencement date shall remain the property of District but such records or copies thereof shall remain stored on the premises throughout the term of this Agreement. To the extent permitted by applicable law and regulations, System shall have access to such records at all times for medical purposes.

28.2. All patient records maintained by System and arising out of its operations under this Agreement or copies thereof shall be stored on the premises throughout the term of this Agreement and for a period of not less than ten (10) years thereafter or the then applicable statutory minimum required time. At any time during the ten (10) year period following termination of this Agreement, District shall have access to such records for medical purposes.

28.3. Neither District nor System shall destroy, dispose of or grant access to patient records except in compliance with applicable law and regulations.

ARTICLE VI

TERM AND TERMINATION

29. TERM

29.1. The Initial Term of this Agreement shall be for a term of one (1) years commencing on February 1, 2011 at 12:01 a.m. or such later date as the parties may agree in writing (the "Commencement Date") and shall automatically renew thereafter for successive one

(1) year terms unless a party provides advance written notice of not less than six (6) months prior to the expiration of the then current term indicating its intent not to renew.

30. TERMINATION

30.1. In the event of a breach or default under this Agreement by a party, the other party may terminate this Agreement upon ninety (90) 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 91st 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. Should the alleged breach or non-fulfillment be remedied within said 90-day period to satisfaction of non-breaching party or, if such breach or non-fulfillment cannot be cured within such 90-day period but remedial effort shall be commenced within such period and diligently pursued, the cure period shall be extended by mutual agreement for such time as may be necessary to cure such breach or non-fulfillment; and if cured, the Agreement shall continue without interruption for the remaining Term.

30.2. If the Indigent Care Agreement executed pursuant to Section 21.1 shall terminate for any reason (whether for cause or for no-cause or by mutual agreement), this Agreement shall likewise automatically terminate, without notice requirements.

ARTICLE VII

CONDITIONS TO EFFECTIVENESS

31. LICENSES, LITIGATION AND CONSENTS

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

(a) System 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 VIII

INDEMNITIES

32. INDEMNITIES OF DISTRICT

32.1. District shall defend and indemnify System and hold System 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 System incurs as a result of or with respect to:

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

(b) except with respect to obligations otherwise assumed by System hereunder, any claim or cause of action against or liability or obligation (actual or alleged), of any nature whatsoever of District arising out of or relating to the use or operation of the facilities or any other business of District prior to the Commencement Date, or any act or omission of District, 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.

33. INDEMNITIES OF PREFERRED

33.1. System shall defend and indemnify District and hold District 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 District incurs as a result of or with respect to:

- (a) any breach of or default under this Agreement by System; and
- (b) any claim or cause of action against or liability or obligation (actual or alleged), of any nature whatsoever of System arising out of or relating to the use or operation of the facilities or any other business of System on or after the Commencement Date, or any act or omission of System, 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.

34. PROCEDURE FOR INDEMNIFICATION

34.1. 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 and may 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 IX

MISCELLANEOUS PROVISIONS

35. RELATIONSHIP BETWEEN THE PARTIES

35.1. The relationship between the District and System is a contractual relationship between independent entities. Neither is or shall be deemed an agent or employee of the other. District shall not have the right or authority to direct or supervise System in the delivery of healthcare services required to be delivered by System nor shall District have the right or authority to direct or supervise the operations of the healthcare facilities.

36. MUTUAL RIGHT OF OFFSET

36.1. If either party shall be owed money by the other party by reason of the provisions of this Agreement or any agreement collateral hereto, including without limitation the Indigent Care Agreement, 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, including without limitation the Indigent Care Agreement.

37. SEVERABILITY

37.1. 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.

38. WAIVER; CONSENTS

38.1. 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.

39. GOVERNING LAW / VENUE

39.1. 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.

40. REMEDIES

40.1. 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.

41. LAW CHANGE

41.1. Any provision hereof to the contrary notwithstanding, if any constitutional provision, statute, rule, regulation or order binding on the District 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.

42. GOVERNMENT ACCESS

42.1. Upon the written request of the Secretary of Health and Human Services or the Comptroller General or any of their duly authorized representatives, System 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 System 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, System 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.

43. ASSIGNMENT

43.1. 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; provided, however, that in the event of the dissolution of the District, the District may assign and delegate all of its rights and duties hereunder to any successor authorized by law without such prior written consent.

44. SUCCESSOR IN INTEREST

44.1. 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 all successors and assigns.

45. MODIFICATION OF AGREEMENT

45.1. This Agreement together with the Indigent Care Agreement referred to herein 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 the party to be charged thereby.

46. HEADINGS

46.1. 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 governs the rights or liabilities of the parties hereto.

47. NOTICES

47.1. 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:

DISTRICT:

McCulloch County Hospital District
Attn: Clay Jones
P. O. Box 1150, Nine Road
Brady, Texas 76825

PREFERRED:

Heart of Texas Healthcare System
Attn: Tim Jones
P.O. Box 1150
Brady, Texas 76825

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.

48. NONDISCRIMINATION

48.1. System 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.

49. COUNTERPARTS

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

50. EXPENSES

50.1. 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.

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

DISTRICT:

McCULLOCH COUNTY HOSPITAL DISTRICT

By: W Clay Jones

Name: W CLAY JONES
Title: President of the Board

SYSTEM:

HEART OF TEXAS HEALTHCARE SYSTEM

By: Tom Jones

Name: Tom Jones

Title: _____

EXHIBIT 1

PAYABLES AND LIABILITIES RETAINED BY DISTRICT

1. List: McColloch County Appraisal District annual budget allocation.

EXHIBIT 2

RECEIVABLES RETAINED BY DISTRICT

1. List:
 - a) None.

EXHIBIT 3

PLAT MAP

EXHIBIT 4

EXHIBIT 5

EXHIBIT A

INDIGENT CARE AGREEMENT

INDIGENT CARE AGREEMENT (the "Agreement") effective as of April 1, 2011, 12:01 a.m. or, if later, the Commencement Date of the Lease and Operating Agreement between the parties, is between McCULLOCH COUNTY HOSPITAL DISTRICT, a body politic and corporate and a political subdivision of the State of Texas, established and created pursuant to Article IX, Section 9 of the Texas Constitution and Chapter 1050, of the Texas Special District Local Laws Code (Vernon's 2009) (as it has heretofore been and may be amended, the "Act") ("District"), and HEART OF TEXAS HEALTHCARE SYSTEM ("Provider"), a Texas not-for-profit corporation.

WHEREAS, pursuant to the Lease and Operating Agreement, dated as of February 1, 2011 between District and Provider (the "Lease Agreement"), Provider has agreed to lease substantially all of the healthcare assets of District which relate to McCULLOCH COUNTY HOSPITAL DISTRICT, Brady, Texas, owned by the District (collectively the "Hospital");

WHEREAS, the conditions to the obligations of District under the Lease Agreement to consummate the transactions contemplated thereby include the execution and delivery of this Agreement by the parties hereto;

WHEREAS, District is obligated to provide, or arrange for provision of, medical and hospital care for indigent and needy residents of the District;

WHEREAS, District is empowered by Chapter 61 of the Texas Health and Safety Code (the "Indigent Health Care and Treatment Act") to enter into contracts relating to or arranging for the provision of such healthcare services;

WHEREAS, District desires to contract with Provider for the provision of such healthcare services to indigent and needy persons residing in the District;

WHEREAS, Provider is willing and able to provide or arrange for the provision of such services, all under the terms and conditions of this Agreement;

WHEREAS, District has determined that this Agreement is in the best interest of District and its residents and is necessary to enable District to fulfill its obligations to provide or arrange for the provision of healthcare services to indigent and needy residents of the District;

NOW, THEREFORE, in consideration of the foregoing premises, the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. DEFINITIONS.

- a. Health Care Services. As used in this Agreement, "Health Care Services" shall mean those Medically Necessary health care services provided to indigent residents of this District under the policies of the District in effect on the date of this Agreement, provided, however, that all times during the term of this Agreement such services shall include at a minimum all those services required to be furnished by the District to eligible residents under Chapter 61 of the Texas Health and Safety Code and the Rules of the Texas Health Department promulgated thereunder.
- b. Indigent. As used in this Agreement, "Indigent" shall mean at any time a person who would be eligible to receive Health Care Services as an Indigent under the policies of the District in effect at the date of this Agreement, provided, however, that at no time shall the criteria for eligibility be more restrictive than the minimum eligibility standards for the District prescribed by the Texas Department of Health pursuant to Chapter 61 of the Texas Health and Safety Code.
- c. Medically Necessary. As used in this Agreement, the term "Medically Necessary" shall mean Health Care Services which, pursuant to the terms and conditions of this Agreement, are determined by the attending Physician or other medical professional, as may be appropriate in each case, to be:
 - i. appropriate and necessary for the symptoms, diagnosis or treatment of the medical conditions of the Indigent presenting himself or herself for treatment; and
 - ii. provided for the diagnosis or direct care and treatment of the medical condition of the Indigent presenting himself or herself for treatment; and
 - iii. not primarily for the convenience of the Indigent, the Indigent's physician or another provider and
 - iv. the appropriate level of service needed to provide safe and adequate care.
- d. Physician. As used in this Agreement, the term "Physician" shall mean, an individual licensed by the State of Texas to practice medicine within the scope of his or her license. These professionals may or may not be under contract with Provider for the delivery of Health Care Services. Provider may appoint a "Medical Director" from the licensed Physicians in the community to help monitor the nature and quality of Health Care Services rendered to Indigents.

- e. Resident. As used in this Agreement, the term “resident” means a person who has a place of abode (not including a city or county jail located within McCulloch County) within the McCulloch County Hospital District, or a person who does not have a homestead or maintain a place of abode outside the District.
- f. Term. As used in this Agreement, the term “Term” shall have the meaning set forth in Article 7 below.

2. RESPONSIBILITIES OF PROVIDER

- a. Provision of Health Care Services. Provider agrees to provide all Medically Necessary Health Care Services for Indigents during the Term at no charge to such Indigents except as otherwise provided herein. The determination of whether an individual is an “Indigent” eligible to receive Health Care Services hereunder shall be made in accordance with Article 6 hereof. Provider may, at its option, charge a minimal access fee to any Indigent who seeks care at Provider’s facilities but whose conditions do not require Emergency Services, to the extent permitted by applicable law. District acknowledges that Provider is not obligated to provide a level of medical benefits that is in excess of the local community standards of third-party benefit panels. It is recognized that new treatment and diagnostic modalities may become available over the Term and these new services will be made available to the Indigents by mutual agreement of the parties. Provider also agrees that the Physician component of the provision of medical benefits is its responsibility. Provider also recognizes that it will be responsible for payments to other providers, not under contract, who may have delivered covered Health Care Services to Indigents. Provider acknowledges that, as between District and Provider, the District will have no burden for providing or funding Health Care Services, including without limitation, medical benefits, other than payments herein provided to be made by District to Provider.
- b. Books and Records.
 - i. At all times during the Term, Provider shall cause accurate books and records of account and medical records to be maintained as are necessary to permit the verification by District of the Health Care Services provided by Provider to Indigents.
 - ii. The Provider will also deliver to the District a written report detailing the volume of Health Care Services delivered to Indigents covered by this Agreement on an annual basis, within ninety (90) days following each anniversary date of the commencement date of this Agreement. The minimum information required in such report will include the amount of charges incurred by Indigents for hospital services, outpatient services,

physician services and payments for care rendered outside of the facilities of Provider. In addition to the financial resources expended for Indigents, a statistical report of the number of outpatient visits, surgery cases, days of hospitalization, births, home health visits, and any other health care indicators compiled by the Provider in the normal course of business will also be submitted to the District on an annual basis, within ninety (90) days following each anniversary date of the commencement date of this Agreement.

- iii. District shall have the right, at District's expense, to inspect, examine, and copy, to the extent permitted by applicable law, such portion of the books, records, files, and other documents maintained by Provider, other than books, records, files and other documents that constitute confidential, proprietary information of Hospital or are patient records protected from disclosure by law, as are reasonably necessary for District to verify the matters listed in Section 2.b(i) and (ii) above.
 - iv. District agrees that the information which will be made available to District, its officers, employees and agents (collectively, "Agents") pursuant to Section 2.b is of a confidential and proprietary nature. District agrees that it will use its reasonable best efforts, subject to applicable law, to cause its Agents to maintain the confidentiality of all such information. District further agrees that District will not, and will use its reasonable best efforts to cause its Agents not to, use any such information in any way to compete with or to permit others to compete with Provider or its affiliates, successors or assigns or in a manner which would be detrimental to the business, financial affairs or reputation of Provider or Provider's officers and affiliates and their successors and assigns. District for itself and its Agents recognizes that any breach of this Section would result in irreparable harm to Provider and Provider's officers and affiliates and that therefore Provider or any of Provider's officers and affiliates shall be entitled to an injunction to prohibit any such breach by District or its Agents in addition to all other legal and equitable remedies available to them. Nothing in this Section shall prohibit the use of such confidential information for such governmental filings as are required by law or governmental regulations or the disclosure of such confidential information if such disclosure is compelled by judicial or administrative process or, in the opinion of District's counsel, other requirements of law.
- c. Hospital License. Provider shall use its reasonable best efforts to keep the Hospital appropriately licensed by the State of Texas for the provision of inpatient and outpatient services, including emergency room services, throughout the Term. Provider shall provide District with formal documentation of its licenses to provide Health Care Services at the Hospital and all renewals thereof

issued by the State of Texas and shall promptly notify District of any modification, nonrenewal, revocation or suspension thereof.

- d. **Insurance.** During the Term, Provider shall, at its sole cost and expense, procure and maintain policies of insurance and/or provide and maintain self-insurance insuring against comprehensive general liability and professional liability for damages directly or indirectly related to the performance of any service provided hereunder, and the use of any property and facilities provided by Provider in connection with this Agreement, in such amounts, on such terms and with such deductibles as are then commonly maintained by providers with facilities and operations similar to those of Provider. Provider will timely furnish District with certificates evidencing such insurance and/or self-insurance and for each such policy and all renewals of such policies and Provider shall promptly advise District of any change in the insurance and/or self-insurance maintained by Provider.
- e. **Non-Discrimination.** Provider shall not discriminate in the provision of Health Care Services to any person on the basis of such person's status as an Indigent. Provider shall require any subcontractor that provides Health Care Services to include in its subcontract with Provider (i) a nondiscrimination clause similar to the language contained in this Section 2e and (ii) a covenant to include such a clause in any subcontract between such subcontractor and any of its subcontractors that provide Health Care Services.
- f. **Regulatory Requirements.** Provider will operate the Hospital at all times in compliance with federal, state and local law, rules and regulations, and all accepted and approved methods and practices of medicine for Health Care Services rendered to Indigents.
- g. **Medicare and Medicaid Participation.** Provider will use its best efforts to cause Hospital to be qualified for participation in Medicare and Medicaid programs and any successor programs and will maintain such qualifications throughout the Term.

3. REPRESENTATIONS AND WARRANTIES OF PROVIDER

As of the date hereof, Provider represents and warrants to District the following:

- a. **Capacity.** Provider is a corporation duly organized and/or validly existing and operating under the laws of the State of Texas with all requisite corporate power and authority to own, operate and lease its properties and to carry on its businesses as now being conducted.

b. Authorization: Absence of Conflicts: Contract Binding.

i. The execution, delivery and performance by Provider of this Agreement:

- (1) are within Provider's corporate powers, are not in contravention of the terms of Provider's Articles of Incorporation, Bylaws or any amendments thereto and have been duly authorized and approved by the board of directors and shareholder of Provider as and to the extent required by Provider's Articles of Incorporation and Bylaws and applicable law, and
- (2) (A) will not result in any breach of any indenture, agreement, lease or instrument to which Provider is a party or by which Provider or its assets is bound, (B) will not constitute a violation of any judgment, decree or order of any court of competent jurisdiction applicable to Provider, (C) will not violate any law, rule or regulation of any governmental authority applicable to Provider or its assets and (D) will not require any consent, approval or authorization of, or notice to, or declaration, filing or registration with, any governmental or regulatory authority.

ii. This Agreement has been duly and validly executed and delivered by Provider and constitutes the valid, legal and binding obligation of Provider, enforceable against Provider in accordance with its terms.

4. PAYMENT OBLIGATIONS OF DISTRICT

- a. District shall pay to Provider following the Commencement Date of this Agreement those payments listed in Exhibit B attached hereto and incorporated herein for all purposes as if set forth in full herein.

5. REPRESENTATIONS AND WARRANTIES OF DISTRICT

As of the date hereof, District represents and warrants to Provider the following:

- a. Capacity. District is a body politic and corporate and a political subdivision of the State of Texas, duly established and created pursuant to the Act with all requisite power and authority to own, operate and lease its properties and to carry on its businesses as now being conducted.

b. Authorization: Absence of Conflicts: Contract Binding.

- i. The execution, delivery and, subject to receipt of any required governmental approvals and compliance with other requirements of law,

performance by District of this Agreement:

- (1) are within District's powers, are not in contravention of the terms of the Act and any other instruments governing District (collectively, the "District Documentation") and have been duly authorized and approved by the Board of Managers of District; and
 - (2) (A) will not result in any breach of any indenture, agreement, lease or instrument to which District is a party or by which District or any of its assets is bound, (B) will not constitute a violation of any judgment, decree or order of any court of competent jurisdiction applicable, to District, (C) will not violate any law, rule or regulation of any governmental authority applicable to District or any of its assets, and (D) will not require any consent, approval or authorization of, or notice to, or declaration, filing or registration with, any governmental or regulatory authority.
- ii. This Agreement has been duly and validly approved, executed and delivered by District and, subject to receipt of any required governmental approvals and compliance with other requirements of law, constitutes the valid, legal and binding obligation of District, enforceable against District in accordance with its term.

6. INDIGENT CERTIFICATION PROCESS

- a. Certification Procedures. Provider shall take such steps and make such inquiries as Provider reasonably determines are appropriate to timely determine whether a person requesting or requiring Medically Necessary Health Care Services is an Indigent, to enable Provider to satisfy its obligations hereunder without delay.
- b. Review of Certification. District shall have the right to inspect, examine and copy the books, records, files and other documents maintained by Provider as are necessary for District to determine the procedures utilized by Provider in determining the status of persons as Indigent and to determine the eligibility of any person as an Indigent. Based upon such review, District shall have the right to object in writing to Provider's determination or method of determination of Indigent status to one or more persons. Any such notice shall state the basis of District's objection. Within 30 days of receipt of such notice, Provider shall comply with the objections contained in the District's notice until such time as Provider shall respond in writing to District setting forth in detail the basis upon which Provider believes its determination or method of determination of Indigent status is appropriate.

- c. Right of Review. Any person who believes that he meets the criteria hereunder as an Indigent but is not determined by Provider to be an Indigent or any person who is determined by Provider to be an Indigent but believes that he has been denied Medically Necessary Health Care Services shall be afforded the right by Provider to present to Provider for Provider's review and consideration such evidence and testimony as such person believes to be relevant to demonstrate that such person is an Indigent or that such denied services are Medically Necessary Health Care Services. Provider shall advise each person who is initially determined not to be Indigent or is initially denied Medically Necessary Health Care Services of his right to Provider's review of such initial determination.

7. TERM AND TERMINATION

- a. Term. This Agreement is for a Term of one (1) years commencing on the Commencement Date under the Lease, Operating and Indigent Care Agreement between the Parties. Thereafter, this Agreement shall automatically renew for successive one (1) year terms unless a party provides advance written notice of not less than six (6) months prior to the expiration of the then current term indicating its intent not to renew. Provider acknowledges and agrees that during and subsequent to the Term and for so long thereafter as Provider operates the Hospital, Provider shall be obligated to provide care and treatment to indigent persons in compliance with all applicable state and federal laws and regulations binding on Provider or the Hospital.
- b. Termination.
- (i) This Agreement may be terminated for cause at any time during the Term upon ninety (90) calendar days prior written notice to the other party if the party to whom such notice is given has materially breached or otherwise failed to fulfill its obligations hereunder and under the Lease and Operating Agreement, including the failure to fulfill any obligation which is found to be unenforceable. The party claiming the right to terminate shall set forth in the notice the facts underlying its claim that the other party is in material breach or non-fulfillment of this Agreement or the Lease and Operating Agreement and shall expressly state that the notice constitutes a termination notice under this Section 7.b. Should the alleged breach or non-fulfillment be remedied within said 90-day period to satisfaction of non-breaking party or, if such breach or non-fulfillment cannot be cured within such 90-day period but remedial efforts shall be commenced within such period and diligently pursued, the cure period shall be extended by mutual agreement for such time as may be necessary to cure such breach or non-fulfillment; and if cured, the Agreement shall continue without interruption for the

remaining Term. If Provider shall breach this Agreement by failure to provide Health Care Services to any one or more Indigents, then District shall have the right to withhold such portion of the payments due Provider under Section 4 as are equal to the charges for the Health Care Services failed to be provided by Provider.

- (ii) Notwithstanding any other provision, if the Lease and Operating Agreement shall terminate for any reason, this Agreement shall likewise automatically terminate, effective the same date as the Lease and Operating Agreement.
 - (iii) If Provider shall be adjudicated a bankrupt in a Chapter 7 or similar liquidation proceeding under the United States Bankruptcy Code, this Agreement shall terminate.
- c. Survival. All accrued but unperformed obligations of either party shall survive termination or expiration of this Agreement. All rights and obligations of either party for indemnification hereunder arising out of or in connection with matters occurring within the Term shall survive the termination or expiration of this Agreement.

8. RELATIONSHIP BETWEEN THE PARTIES

- a. District and Provider. The relationship between District and Provider is a contractual relationship between independent contractors. Neither is an agent or employee of the other. Nothing herein shall preclude District from contracting with any other health care provider to provide health care services to Indigents.
- b. Provider and Indigent. The relationship between Provider and any Indigent is that of health care facility and patient. District agrees that it shall not interfere with the independent professional judgment of Provider and Provider's employees, agents, affiliates, associates or independent contractors, nor interfere with the relationships between any physician practicing at the Hospital and any patient of any such physician, and between any such physician and the Hospital.
- c. Indemnification. Provider agrees to indemnify and hold District harmless from and against all claims, actions and proceedings (i) arising out of or in connection with any breach or nonperformance of any representation, covenant or agreement by Provider hereunder, (ii) made by any person alleging entitlement to Health Care Services or that Health Care Services were denied or improperly rendered, or (iii) by any Physician, other provider or payor alleging denial of payment for HealthCare Services. The following procedure shall apply with respect to any claims or proceedings covered by the foregoing agreement to indemnify and hold harmless:

- i. District shall give written notice to Provider promptly after District learns of the claim or proceeding; provided that the failure to give such notice shall not relieve Provider of its obligations hereunder provided District uses its best efforts to mitigate damages and except to the extent Provider is actually damaged thereby;
- ii. With respect to any third-party claims or proceedings as to which District is entitled to indemnification, Provider 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 Provider deems it advisable to do so, all at the expense of Provider; provided, however that District 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. District 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 District shall not settle or compromise any such third-party claim without the prior consent of Provider, which consent shall not be unreasonably withheld. Indemnification shall be due only to the extent of the loss or damage actually suffered (i.e. reduced by any offsetting or related asset or service received and by any recovery from any third party, such as an insurer).

9. MISCELLANEOUS

- a. Duty to Cooperate. The parties acknowledge that the parties' mutual cooperation is critical to the ability of Provider to perform its duties hereunder. Without in any way limiting the foregoing, District agrees that it will, subject to the limitations hereinafter provided, use its reasonable best efforts to assist Provider in receiving the benefit of any federal, state, county or other public funds for the provision of care to Indigents and others which may be available only to public entities such as District and not directly to entities such as Provider (other than funds that are received by District for specific functions which are not provided by Provider), including (i) entering into an arrangement to act as a conduit for funds to be transferred between Provider and District and/or District and any public funding entity or (ii) transferring any such funds District may receive in the future for the provision of care to Indigents and others in the District to Provider; provided, that District shall not be obligated to undertake any such action if (a) by reason thereof District is required to transfer to Provider an amount greater than the amount received by District from any public funding entity, or (b) such action in any manner would be illegal or in breach of any

empowerment or obligation of District created by the Texas State Legislature or the Constitution of the State of Texas or (c) Provider has agreed or consented to District's assignment or disposition of particular public funds to one or more third parties. In the event that the Hospital, Provider or its affiliates which provide services to or on behalf of the Hospital ("Affiliates") receives funds from any governmental source as a direct consequence of payments made by District to others pursuant to any law, contract or arrangement binding on District or requested of District by Provider (without which payments Hospital Provider or Affiliates would not have received such funds), Provider will promptly reimburse District within thirty days of Provider's receipt of such funds the amounts so paid by District, not to exceed the amount of such funds so received by Provider.

- b. Arms' Length Transaction. District and Provider acknowledge and agree that all amounts payable to Provider under this Agreement represent amounts negotiated between the parties in arms' length negotiations.
- c. Severability. 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.
- d. Waiver: Consents. No consent or waiver, express or implied, by either party hereto or 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.
- e. Governing Law and Venue. This Agreement shall be governed by the laws of the State of Texas, and venue for any disputes between the parties shall be exclusively the district courts of McCulloch County.
- f. Force Majeure. Each party shall be excused for failures and delays in performance of its respective obligations under this Agreement due to any cause beyond the control and without the fault of such party, including without limitation, any act of God, war, riot or insurrection, law or regulation, strike, flood, fire, explosion or inability due to any of the aforementioned causes to

obtain necessary labor, materials or facilities. This provision shall not, however, release such party from using its best efforts to avoid or remove such cause and such party shall continue performance hereunder with the utmost dispatch whenever such causes are removed. Upon claiming any such excuse or delay for non-performance, such party shall give prompt written notice thereof to the other party, provided that failure to give such notice shall not in any way limit the operation of this provision.

- g. Remedies. 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.
- h. Law Change. Any provision hereof to the contrary notwithstanding, if any constitutional provision, statute, rule, regulation or order binding on the District shall at any time be discovered, adopted, promulgated or issued that determines the health care services a hospital district is required to render, the requirements a resident must meet to qualify for services, or any other provisions relating to the District's responsibility for the provision of healthcare to Indigents, then such constitutional provision, statute, rule, regulation or order shall supplement this Agreement and become binding on the Provider, without thereby relieving Provider of any contractual duty required of it hereunder.
- i. Government Access. Upon the written request of the Secretary of Health and Human Services or the Comptroller General or any of their duly authorized representatives, Provider 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 Provider 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, Provider 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.
- j. Assignment. 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; provided, however, that in the event of the dissolution of the District, the District may assign and delegate all of its rights and duties hereunder to any successor authorized by law without such prior written consent of Provider.

- k. Successor in Interest. 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 all successors and assigns. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement or any provisions of this Agreement; this Agreement and conditions and provisions hereof being intended to be and being for the sole exclusive benefit of the parties hereto, their permitted successors and assigns and for the benefit of no other person.
- l. Modification of Agreement. This Agreement, together with the Lease and Operating Agreement among District and Provider, constitutes 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 the party to be charged thereby.
- m. Headings. 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.
- n. Notices. 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:

District:

McCulloch County Hospital District
Attn: Clay Jones
P. O. Box 1150, Nine Road
Brady, Texas 76825

Provider:

Heart of Texas Healthcare System
Attn: Tim Jones
P. O. Box 1150, Nine Road
Brady, Texas 76825

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.

- o. Nondiscrimination. District and Provider will not discriminate on the basis of race, sex, age, religion, national origin, or handicap in providing services under this Agreement or in the selection of employees or independent contractors.
- p. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be one and the same instrument.
- q. Non-Exclusive Arrangement. This Agreement shall not require District to use the services and facilities provided by Provider as the exclusive source of Health Care Services for Indigents, nor shall Provider be prohibited hereunder from contracting with other governmental entities for the provision of services and facilities to persons for whom such governmental entities are responsible.
- r. 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.

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

PROVIDER:

HEART OF TEXAS HEALTHCARE SYSTEM

By: Tim Jones
Name: TIM JONES
Title: _____

DISTRICT:

McCULLOCH COUNTY HOSPITAL DISTRICT

By: W Clay Jones
Name: W CLAY JONES
Title: Board President

EXHIBIT B

**LEASE, OPERATING AND
INDIGENT CARE AGREEMENT PAYMENT SCHEDULE**

AGREED:

HEART OF TEXAS HEALTHCARE

By: Tim Jones

Printed: Tim Jones

Title: _____

AGREED:

**McCULLOCH COUNTY HOSPITAL
DISTRICT**

By: W Clay Jones

Printed: W CLAY Jones

Title: President

**AMENDMENT TO THE
HOSPITAL LEASE AND OPERATING AGREEMENT**

THIS AMENDMENT relates to a hospital lease and operating agreement dated April 1, 2011 at 12:01 am, by Heart of Texas Healthcare System (SYSTEM), a Texas corporation and McCulloch County Hospital District (DISTRICT), a body politic and corporate and a political subdivision of the state of Texas, establish and created pursuant to Article IX, Section 9, of the Texas Constitution and Chapter 1050, of the Texas Special District Local Laws Code (Vernon's 2009), owner and operator of Heart of Texas Hospital, located at 2008 Nine Road, Brady, Texas, 76825.

The following items in this amendment are changed to read as follows:

3. RENT

3.1 System shall pay rent during each month of the term hereof, without deduction, setoff, prior notice or demand, in the amount of Two Hundred Thousand Dollars (\$200,000.00) together with those payments as required in Exhibit B attached hereto and incorporated by referenced herein.

All other terms and conditions of the Agreement effective April 1, 2011 at 12:01 am and subsequent amendments will remain the same.

This amendment goes into effect the April 1, 2012.

McCULLOCH COUNTY HOSPITAL DISTRICT




Clay Jones, Chairman

3/27/12

Date

HEART OF TEXAS HEALTHCARE SYSTEM



Tim Jones, CEO

3/27/12

Date

**RESOLUTION OF THE BOARD OF DIRECTORS
MCCULLOCH COUNTY HOSPITAL DISTRICT**

WHEREAS, the McCulloch County Hospital District ("District") is a party to an Indigent Care Agreement ("ICA") with the Heart of Texas Healthcare System ("System"), dated April 1, 2011, for the provision of healthcare services to the indigent and needy persons residing in the McCulloch County community;

WHEREAS, the parties also entered into a Lease and Operating Agreement, dated April 1, 2011, whereby the District agreed to lease to System substantially all of the healthcare assets of the District which relate to the McCulloch County Hospital District;

WHEREAS, on March 27, 2012, the System recommended the suspension of the ICA; and

WHEREAS, the parties desire to suspend the ICA effective April 1, 2012.

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of the McCulloch County Hospital District hereby approves the District's suspension of the ICA and directs the President of the Board of Directors to enter into all agreements and arrangements necessary to suspend the ICA, including the following:

1. The November 2013 Suspension Agreement on behalf of the District, which suspends the ICA until the parties agree in writing to reinstate the ICA.
2. Any and all other actions reasonably necessary to the extent allowed by law, including the Texas Health Care Transformation and Quality Improvement Program Section 1115 Waiver, in order to suspend the ICA for the benefit of the McCulloch County community.

This Resolution shall be in full force and effect from and after the date of its adoption.

PASSED AND APPROVED BY THE BOARD OF DIRECTORS OF THE MCCULLOCH COUNTY HOSPITAL DISTRICT AT A DULY CALLED AND POSTED REGULAR MEETING, HELD THIS 26 DAY OF NOVEMBER 2013 AT WHICH A QUORUM WAS PRESENT.

By: W. Clay Jones
Printed Name: W. Clay Jones
Title: President

ATTEST:

By: Tim Jones
Printed Name: Tim Jones

ADOPTION effective November 24, 2013.

NOVEMBER 2013 SUSPENSION AGREEMENT

This November 2013 Suspension Agreement ("Suspension Agreement") is entered into between McCulloch County Hospital District ("District") and Heart of Texas Healthcare System ("System").

WHEREAS, the parties entered into an Indigent Care Agreement, dated April 1, 2011 ("ICA"), for the provision of healthcare services to the indigent and needy persons residing in the McCulloch County community;

WHEREAS, the parties also entered into a Lease and Operating Agreement, dated April 1, 2011, whereby District agreed to lease to System substantially all of the healthcare assets of District which relate to the McCulloch County Hospital District; and

WHEREAS, the parties desire to suspend the ICA effective April 1, 2012.

NOW, THEREFORE, the parties agree as follows:

1. The ICA shall be suspended as of April 1, 2012, and shall remain suspended until both parties agree in writing to reinstate the ICA ("Suspension Period").
2. During both the Suspension Period, neither party shall have any rights or obligations under the ICA. Both parties are permanently relieved from performing all such rights and obligations that would have accrued during the Suspension Period.
3. Following the reinstatement of the ICA, the parties shall be obligated under the ICA from the date of reinstatement. The parties agree that the number of years during which the ICA is suspended shall count toward the Term of the ICA as set forth in paragraph 7(a) of the ICA.
4. All of the District's payment obligations during the Suspension Period are permanently eliminated. The District shall never have any obligation to make payments under the ICA that would have normally been paid during the Suspension Period. At the end of the expiration of the Suspension Period, the District will once again begin making routine quarterly payments as provided for in the ICA with the first payment being due on the 8th day of the final month of the next monthly quarter in an amount as determined by the terms of the ICA or as otherwise agreed by the parties.

IN WITNESS WHEREOF, the parties, through their duly authorized representatives, have executed this November 2013 Suspension Agreement as of the 26 day of November, 2013.

DISTRICT:

McCulloch County Hospital District

By: W Clay Jones

Name: W CLAY JONES

Title: President

Date: 11-26-13.

SYSTEM:

Heart of Texas Healthcare System

By: Tim Jones

Name: TIM JONES

Title: CEO

Date: 11/26/13

**AMENDMENT TO THE
HOSPITAL LEASE AND OPERATING AGREEMENT**

THIS AMENDMENT relates to a hospital lease and operating agreement dated April 1, 2011 at 12:01 am, by Heart of Texas Healthcare System (SYSTEM), a Texas corporation and McCulloch County Hospital District (DISTRICT), a body politic and corporate and a political subdivision of the state of Texas, establish and created pursuant to Article IX, Section 9, of the Texas Constitution and Chapter 1050, of the Texas Special District Local Laws Code (Vernon's 2009), owner and operator of Heart of Texas Hospital, located at 2008 Nine Road, Brady, Texas. 76825.

The following items in this amendment are changed to read as follows:

3. RENT

3.1 System shall pay rent during each month of the term hereof, without deduction, setoff, prior notice or demand, in the amount of Two Hundred Fifty Thousand Dollars (\$250,000.00) together with those payments as required in Exhibit B attached hereto and incorporated by referenced herein.

All other terms and conditions of the Agreement effective April 1, 2011 at 12:01 am and subsequent amendments will remain the same.

This amendment goes into effect the April 1, 2013.

McCULLOCH COUNTY HOSPITAL DISTRICT



Clay Jones, Chairman

3/26/13

Date

HEART OF TEXAS HEALTHCARE SYSTEM



Tim Jones, CEO

3/26/13

Date