

DATE: March 2, 2009

SUBJECT: Health Department Budget Amendments

Description	Account Number	Original Budget	Increase/(Decrease)	Amended Budget
REVENUE				
DHHS WIC Client Services	104516744208	117,673	836	118,509
DHHS Nutrition Education	104516677207	44,000	1,000	45,000
EXPENSES				
Client Services Contract Serv.	105516751700	200	836	1,036
Nutrition Education Travel	105516654010	1,500	1,000	2,500

*Caseload increase results in additional State revenues to cover program expenses for travel and contract services.

Description	Account Number	Original Budget	Increase/(Decrease)	Amended Budget
REVENUE				
DHHS BCCCP	104515144183	9,818	6,630	16,445
EXPENSES				
BCCCP Contract Services	105515151700	7,838	6,630	14,468

*Additional State funding to provide BCCCP services for eligible clients.

RECOMMENDATION: Health Director recommends approval by Board of Health. Board of Health approved at February 17, 2009. Recommend approval by County Commissioners.

DATE: March 2, 2009

SUBJECT: Health Department Budget Amendments

Description	Account Number	Original Budget	Increase/(Decrease)	Amended Budget
REVENUE				
DHHS Family Planning	104516444203	55,813	2,773	58,586
EXPENSES				
Family Planning Supplies	105516452010	10,000	2,773	12,773

*Additional Title X funding for Family Planning supplies due to increases caseload.

Description	Account Number	Original Budget	Increase/(Decrease)	Amended Budget
REVENUE				
Komen Grant Unexpended Funds Carryover	104515144185		20,534	20,534
EXPENSES				
Komen Contract Services	105515151702	10,000	20,534	30,534

*Unexpended Susan G. Komen Grant funds from FY 07-08 carryover to FY 08-09 for client services.

RECOMMENDATION: Health Director recommends approval by Board of Health. Board of Health approved at February 17, 2009 meeting. Recommend approval by County Commissioners.

Date: March 2, 2009

General Fund

Dept: Public Buildings

Description	Account Number	Original Budget	Increase/ (Decrease)	Amended Budget
Building and Grounds Maintenance	1054260-53010	69,980.00	8,800.00	78,780.00
Appropriated Fund Balance	1044000-49000	3,564,969.47	8,800.00	3,573,769.47

To amend for the removal of the underground gas tank at the Jail.

Date: March 2, 2009

General Fund

Dept: Soil and Water

Description	Account Number	Original Budget	Increase/ (Decrease)	Amended Budget
ASPC- COST SHARE	1044960-43357	30,000.00	1,500.00	31,500.00
EQUIPMENT	1054960-56010	20,000.00	1,000.00	21,000.00
OFFICE SUPPLIES	1054960-52010	700.00	500.00	1,200.00

To amend for additional grant monies received.



Yadkin County
Administrative Offices

C. Chad Wagoner, Chairman of Board
Kevin Austin, Vice Chairman
Tommy Garner, Commissioner
David Moxley, Commissioner
Brady Wooten, Commissioner

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Jim Graham, County Attorney
Stan Kiser, County Manager
Gina Brown, Clerk to the Board

RESOLUTION OF THE YADKIN COUNTY BOARD OF COMMISSIONERS

WHEREAS, the future continued socio-economic progress of individuals placed into community-based correction programs of Yadkin County is dependent upon funds and services provided through the Criminal Justice Partnership Program; and

WHEREAS, nationwide studies have shown reductions in recidivism, drug use and unemployment when offenders participate in appropriate treatment programs; and

WHEREAS, the Yadkin County Board of Commissioners in concert with the Yadkin County Criminal Justice Partnership Program are committed to the principles of Evidence Based Practices within community-based programs; and

WHEREAS, the Yadkin County Criminal Justice Partnership Program addresses issues of Alcohol and Substance Abuse, Domestic Violence, Education and Employment needs; and

WHEREAS, Criminal Justice Partnership Programs – with strong, involved local leadership and adequate funding- can help relieve prison and jail cost, reduce recidivism and dependency on Social Welfare programs while providing appropriate community responses to crime; and

WHEREAS, the increased quality of life and respect for Societies Rules attained by program participants plays a vital role in creating strong, self sufficient, productive individuals having a direct bearing on the present and future of our communities; and

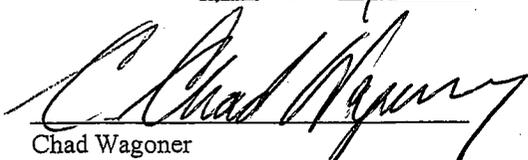
WHEREAS, the County of Yadkin provides these services and treatments to community-base program participants for whom it would otherwise be unaffordable without Criminal Justice Partnership Grant Funds; and

WHEREAS, in order to adequately address both the immediate and future needs of these community-based programs with all of its valuable assets, it is necessary that revenue continue to be provided, funding the Criminal Justice Partnership Program; and

WHEREAS, the Governor and North Carolina General Assembly have budgeting powers to insure continued funding for the North Carolina Criminal Justice Partnership Programs; and

THEREFORE, BE IT RESOLVED, the Yadkin County Board of Commissioners request support of the Governor and North Carolina General Assembly during the budgeting processes to secure funding for the North Carolina Department of Community Correction, Criminal Justice Partnership Programs, thereby insuring continuity and progress in addressing treatment and rehabilitation needs of individuals within our community.

ADOPTED this 2nd day of March, 2009


Chad Wagoner
Chairman, Yadkin County Board of Commissioners


Addendum B
Gina Brown
Clerk to the Board of Commissioners

MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT (the "MSA") is made effective as of last date written below (the "Effective Date") by and among:

HMC MANAGEMENT COMPANY LLC, a Delaware limited liability company (the "Manager"); and

COUNTY OF YADKIN, a body corporate and politic, existing under the laws of the State of North Carolina (the "County"); and

HOOTS MEMORIAL HOSPITAL, INC., a North Carolina non-profit corporation (the "Corporation").

Hereinafter, the County and the Corporation are jointly and severally referred to as the "Hospital Parties"; and the Manager and the Hospital Parties are referred to individually as a "Party" and collectively as the "Parties."

PRELIMINARY STATEMENT

A. Hoots Memorial Hospital (the "Hospital") is a critical access hospital located in Yadkinville, North Carolina, that is owned by the County and leased to the Corporation.

B. The County desires to obtain the services of the Manager to assist with the orderly transfer of the business and operations of the Hospital in connection with the transition of the ownership and control of the Corporation from The North Carolina Baptist Hospitals, Incorporated (the "Baptist Hospital") to the County, which is scheduled to occur effective on March 31, 2009.

C. The County also desires to hire the Manager to provide management services to the Hospital.

D. The Manager is ready and willing to assist the County with the orderly transfer of the business and operations of the Hospital, and to provide its management services to the Hospital Parties under the terms and conditions set forth in this MSA.

E. This MSA also sets forth the general terms and conditions on which the Parties are willing to explore the possible acquisition of the Hospital as a going business concern (the "Hospital Business") by the Manager or one of its affiliates.

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

ARTICLE ONE

1.1 Relationship of the Parties. The relationship between the Manager and the Hospital Parties created by Article One of this MSA is one of principal and agent. The Hospital Parties and the Manager will not be partners, joint venturers, co-venturers, or independent contractors, and agree that the Manager is acting solely as the agent of the Hospital Parties in performing the Transition Services (as defined below) and the Management Services (as defined below) provided by the Manager. The Hospital Parties will retain such authority and

control over the business, policies, operation, and assets of the Hospital that is consistent with the terms of the MSA. The Manager will perform the Transition Services and the Management Services in accordance with the Hospital policies and directives as may be promulgated from time to time by the Hospital Parties. By entering into the MSA, the Hospital Parties will not be delegating to the Manager any of the powers, duties, and responsibilities vested in the Hospital Parties by law or by the Hospital's Medical Staff Bylaws. In addition, all matters requiring professional medical judgments will remain the responsibility of the Hospital's Medical Staff, and the Manager will have no responsibility whatsoever for such judgments.

1.2 Transition Services.

a. Authorization. Commencing on the Effective Date, the Manager shall be authorized to assist the County with its negotiation of a transfer agreement with Baptist Hospital relating to the orderly transfer of the business and operations of the Hospital in connection with the transition of the ownership and control of the Corporation (the "Transition Services") to the County. All undertakings and agreements negotiated by the Manager under this authorization must be reviewed as to legal form by the County's attorney and approved by the governing board of the County in accordance with the applicable law prior to execution.

b. No Fee; Expenses for Travel, Meal and Lodging Only. The Manager shall not receive any fee or other compensation for any Transition Services it provides to the County prior to the Commencement Date (as defined below), but the County shall reimburse the Manager for any reasonable travel, meals and lodging expenses it incurs in providing such assistance not to exceed \$5,000.00 in the aggregate.

1.3 Term and Termination.

a. Commencing on April 1, 2009 (the "Commencement Date"), the Manager shall provide the Management Services for an annual term of 12 months from and after the Commencement Date (the "Annual Term"). The initial Annual Term will be automatically renewed for successive Annual Terms (collectively, the "Term").

b. Either the Manager or the Hospital Parties may terminate the MSA during the Initial Term or any Successive Term by giving 90 days prior written notice to the other Party.

1.4 Fee and Expenses.

a. Management Fee. On the Commencement Date and continuing on the first day of each month thereafter during the initial Annual Term, the Hospital Parties shall pay, in advance, to the Manager the fixed sum of \$30,000.00 in compensation for the management services described in this MSA ("Management Fee"). The Management Fee shall be increased annually, effective April 1st of each successive Annual Term, commencing with the second Annual Term, by an amount equal to 2.5% of the Management Fee for the then current Annual Term.

b. Expenses for Travel, Meals and Lodging. In addition to the Management Fee, the Hospital Parties shall reimburse the Manager for reasonable travel, meals and lodging expenses incurred by it in connection with its management of the Hospital not to exceed \$3,000.00 per month.

c. Expenses for Third-Party Services. The Management Services do not include services provided to the Hospital by third-parties such as (by way of illustration) legal services, accounting and audit services, architectural services, feasibility studies, certificate of need applications related to major capital projects, and similar items. Such items will be charged directly to the Hospital Parties and paid, in arrears, on a monthly basis.

1.5 General Duties and Responsibilities; Limitations.

a. Day-to-Day Management Responsibility. The Manager will be responsible for managing the day-to-day business affairs of the Hospital (the "Management Services"); provided that nothing in this MSA is intended to alter, weaken, displace, or modify the responsibility of the Hospital Parties for the Hospital's direction and control as minimally required by the Joint Commission for the Accreditation of Healthcare Organizations (JCAHO) or its successors. Manager will use all reasonable efforts to cause the Hospital to provide the optimal achievable quality health care consistent with Hospital policies, the financial resources available to the Hospital, the competitive marketplace in which the Hospital is located, and the requirements of, and restrictions arising from, participation in Medicare and other third party reimbursement programs and other laws. In discharging its duties, the Manager will adopt, implement and follow appropriate policies and procedures of the Hospital. Further, Manager may rely on the recommendations of the Hospital's Medical Staff and its designated committees and departmental chairman (collectively "Medical Staff") relative to the quality of professional services provided by individuals with clinical privileges, and the professional competency, training, and requisite supervision of medical technicians, and other medical staff.

b. Right to Approval Auditors; Access to Books and Records. Notwithstanding anything to the contrary contained in this MSA, the Hospital Parties shall have (i) the right to approve the Manager's selection of the auditors for the Hospital and (ii) the right to full access to the books and records of the Hospital.

1.6 Specific Duties and Responsibilities. By way of illustration and not limitation, the Management Services to be performed by the Manager shall include the following specific duties and responsibilities:

a. Budgets. Prior to the end of each fiscal year of the Hospital during the Term, in accordance with the Hospital's policies and procedures, the Manager shall submit to the Hospital Parties for its review and approval, the annual operating budget, annual capital expenditures budget (if appropriate), and annual cash flow projections of the Hospital, all designed to meet the goals and objectives of the Hospital and the Hospital Parties (collectively "Budgets"). In addition, the Manager will, subject to the review and approval of the Hospital Parties, supply any appropriate revisions to the Budgets to reflect material changes during the fiscal year. Subject to the review and approval of appropriate revisions to the Budgets, once the Hospital Parties review and approve the Budgets, the Manager shall be entitled to proceed with expenditures contemplated thereby without further review, subject to any fiduciary obligations of the Hospital Parties.

b. Accounting and Audits. The Manager shall establish and administer accounting procedures and controls in accordance with generally accepted accounting principles (GAAP) and shall arrange for the preparation and delivery to the Hospital Parties, on a monthly basis, materials required in connection with third party reimbursement or payment contracts or programs in which the Hospital participates. The Manager shall have access to such of the Hospital's business records, audited reports, and other information, including records, reports,

and information created prior to the Commencement Date as are necessary, in the Manager's reasonable judgment, to enable the Manager to prepare such reports. The Manager may rely on the accuracy of the information contained in such records, without making any further investigation thereof. The Manager shall prepare monthly and annual balance sheets and statements of income and loss. To the extent that either the Hospital Parties or the Manager reasonably requires audited annual statements, such statements shall be due no later than 120 days following the close of each fiscal year during the Term. The Manager shall arrange for any third-party accounting and audit services for each fiscal year on behalf of the Hospital Parties. Such services will be those which from time to time the Manager makes available to its other hospitals and which are appropriate for and needed by the Hospital. The persons performing such accounting and audit services shall possess qualifications and skills determined appropriate or necessary by the Manager in its sole discretion.

c. Charges and Cash Management. The Manager shall supervise the issuance of bills and the collection of accounts, in accordance with established Hospital charge schedules and collection policies. The Manager shall be entitled to obtain on behalf of the Hospital Parties the assistance of one or more collection agencies. The Manager shall on behalf of the Hospital Parties collect, hold and disburse all cash collected in its own accounts. The Manager shall exercise reasonable care in managing the accounts and available cash of the Hospital operation by maintaining accounts and/or financial instruments with the Manager's established financial institutions in the same manner and with the same care the Manager exercises in managing its own accounts and cash, provided any cash deficits will be the responsibility of the Hospital Parties, jointly and severally.

d. Third Party Reimbursement. The Manager shall provide the Hospital with the third party Medicare and Medicaid reimbursement services including (i) arranging on behalf of the Hospital Parties for the preparation and filing of cost reports, (ii) coordinating the fiscal intermediary audits of such cost reports, (iii) assisting with the appeal of audit adjustments by fiscal intermediaries to such cost reports, (iv) maintaining and updating the third party accounting system including accounting entries to record third party cost reports, (v) monitoring and implementing legislative and regulatory changes to third party reimbursement, and (vi) monitoring third party payor cash flow.

e. Payments. The Manager shall exercise reasonable care in applying the Hospital's funds to the timely payment of its liabilities and other obligations. The Manager shall not be liable either primarily or as guarantor for debts of the Hospital or the Hospital Parties arising prior to or during the Term.

f. Expenditures. The Manager shall be responsible as to the ordering of equipment and supplies used in the diagnosis and treatment of patients. Under purchasing policies established by the Manager and consistent with the Budgets and Management Plans (as defined below) that have been approved by the Hospital Parties ("Approved Budgets and Plans"), Manager shall have the authority (i) to purchase or lease supplies, goods, and services reasonably necessary to the operation of the Hospital and (ii) to negotiate, enter into, administer, and terminate contracts relating thereto.

g. Quality Assurance. The Manager shall implement quality assurance programs designed to meet standards imposed by appropriate certifying agencies and by the Hospital's policies. The Manager shall carry out their day-to-day implementation and shall report regularly to the Hospital Parties on the results of the programs.

h. Management Plan and Report. The Manager shall submit to the Hospital Parties for review an annual management plan ("Management Plan") designed to implement the goals and objectives of the Hospital which will set forth the efforts, methods, and resources to be used by the Manager and the timetable to be observed to achieve such goals and objectives. The Hospital Parties will use reasonable efforts, and cause the Medical Staff to use their reasonable efforts, to take or cooperate with the actions recommended by an approved Management Plan (to the extent such actions are within the control of the Hospital Parties, or the Medical Staff, and not wholly within the control of the Manager). The Manager shall deliver to the Hospital Parties, within 120 days following the close of each fiscal year a written annual report on the completion of the goals and objectives set forth in the Management Plan approved by the Hospital Parties. The Manager shall arrange for any necessary third-party consulting services for each fiscal year. Such services will be those which from time to time the Manager makes available to its other hospitals and which are appropriate for and needed by the Hospital. The persons performing such consulting services shall possess qualifications and skills determined appropriate or necessary by the Manager in its sole discretion.

i. Manager's Power to Contract, Etc. The Manager shall have the authority to (i) hire and terminate the Hospital Personnel (as defined below), (ii) negotiate, enter into and terminate contracts with physicians and other medical professionals on behalf of the Hospital Parties, (iii) negotiate, enter into or terminate contracts with third-party accountants and consultants on behalf of the Hospital Parties, (iv) purchase or lease capital assets as part of the Approved Budgets and Plans with the prior approval of the Hospital Parties, and (v) enter into any leases not relating to capital assets without the prior approval of the Hospital Parties as part of the Approved Budgets and Plans.

1.7 Access to Hospital Facilities and Information. During the Term, the Hospital Parties shall give the Manager full access to the Hospital, its facilities, and its records. Manager shall maintain the confidentiality of patient records, Hospital charges, wages, marketing strategies, and other confidential information regarding the Hospital, except to the extent that disclosure is required by law.

1.8 Obligation to Provide Hospital Personnel.

a. Chief Executive Officer. The Manager shall provide the Hospital with the services of a hospital administrator, who shall serve as the chief executive officer (CEO) of the Hospital, reporting to the Manager. The Manager shall, in its sole discretion, determine the qualifications of the CEO required for the efficient administration of the Hospital and the compensation and benefits of the CEO. The CEO shall be the employee of the Manager. The Manager shall pay the CEO's compensation. The Hospital Parties shall reimburse the CEO for reasonable travel, meals and lodging expenses incurred by the CEO in connection with the management of the Hospital. The Hospital Parties will not employ or offer to employ the CEO until two years following the termination of the MSA unless the Manager gives its written consent thereto.

b. Hospital Personnel. The Hospital Parties shall provide the Hospital with the services of hospital personnel (other than the CEO) including, but not limited to, a director of nursing and a controller ("Hospital Personnel"). The director of nursing shall serve as the chief nursing officer (CNO) of the Hospital reporting to the CEO, and the controller shall serve as the chief financial officer (CFO) of the Hospital reporting to the CEO. The Manager shall determine the number and qualifications of all Hospital Personnel required for the efficient operation of the Hospital and shall establish and revise wage scales, employee benefit packages, in-service

training programs, staffing schedules, and job descriptions, all in order to accomplish the goals and objectives of the Hospital and in accordance with the Hospital's policies and procedures. Hospital Personnel shall be employees of the Hospital, and the Hospital Parties shall pay compensation and benefits of all Hospital Personnel (other than the CEO).

ARTICLE TWO

2.1 Due Diligence Review. During the Term, the Manager shall conduct a due diligence review (the "Due Diligence Review") covering all the financial, legal, operational and environmental aspects related to the Hospital Business. The Manager will use all reasonable efforts to complete the Due Diligence Review not later than 270 days following the Commencement Date. The Hospital Parties shall provide the Manager and its employees, agents, attorneys and accountants full access to all documents, information (including, without limitation, financial statements, tax returns, government reports, customer and supplier information, contracts, environmental assessments, marketing studies and memoranda), books and files, and shall provide access to Hospital Parties' commissioners, directors, officers, employees and professional advisors that the Manager or its agents or counsel may reasonably request for such purposes. Results of the Due Diligence Review will be provided to the Hospital Parties.

2.2 Transaction to Acquire Hospital Business. If the Manager is satisfied with all aspects of the Hospital Business at the end of the Due Diligence Review, the Manager will notify the Hospital Parties in writing and propose to the Hospital Parties the terms and conditions of a transaction under which the Manager would be willing to purchase, lease or otherwise acquire the Hospital Business. If the Hospital Parties and the Manager shall agree upon the final terms and conditions of such transaction, the Manager will then prepare an acquisition agreement for Seller's review, which agreement shall contain the terms and conditions, representations, warranties, covenants and indemnities normal and appropriate for a transaction of this type (the "Purchase Agreement"). The Parties agree to negotiate in good faith the terms and conditions of the Purchase Agreement.

2.3 Replacement Hospital. Any proposal by the Manager to acquire the Hospital Business will be conditioned upon:

a. Purchase of Replacement Site. The Manager's ability to purchase, concurrently with the closing of the Purchase Agreement, a parcel of land (the "Replacement Site") within the corporate limits of Yadkin County, NC, suitable for the development and construction of a replacement hospital facility (the "Replacement Hospital"). The Hospital Parties agree to use their best efforts to assist the Manager in the task of locating and contracting to purchase the Replacement Site.

b. Construction of Replacement Hospital. The Manager's commencement of construction of the Replacement Hospital will began no more than 3 years after the closing of the Purchase Agreement with substantial completion to be achieved no later than 12 months after the construction commencement date.

c. Force Majeure. If the Manager shall be prevented from commencing construction or achieving substantial completion of the Replacement Hospital by such time periods due to Acts of God, the failure to receive any required governmental consents (such failure not being due to the Manager's negligence or willful misconduct), or delays (notwithstanding good faith and diligent efforts) caused by the inability to obtain either

construction or long-term financing for the Replacement Hospital, then the time for commencing construction or achieving substantial completion shall be extended for the period of any such delay; provided that the Manager shall, at all times, use its good faith efforts to remedy with all reasonable dispatch the cause or causes preventing it from commencing construction and achieving substantial completion of the Replacement Hospital.

2.4 Expenses. All costs and expenses of any kind incurred in connection with Article Two of this MSA shall be paid by the Party incurring such costs and expenses.

2.5 Non-Binding Nature. The provisions of this Article Two are intended to serve only as a mutual expression of the intention of the Parties on the principal points summarized herein, and shall not constitute a definitive agreement or a binding legal obligation of the Parties, except that the Section 2.4 which shall be fully binding and enforceable against the Parties. The Parties shall not be obligated to consummate any transaction for the acquisition of the Hospital Business unless and until the Purchase Agreement (and related ancillary documentation and legal opinions) in form and substance mutually acceptable to the Parties is executed (at which time the provisions of the Purchase Agreement will supersede the provisions of Article Two of this MSA) and the conditions expressed therein are fulfilled to the satisfaction of the Parties.

ARTICLE THREE

3.1 Confidentiality. After the Effective Date, the Parties agree, subject to the requirements of any applicable public disclosure law, to continue to be bound by the Confidentiality Agreement dated November 25, 2008.

3.2 Expenses. Each Party shall bear its own costs and expenses in connection with the negotiation and the preparation of this MSA.

3.3 Notices, Etc. All notices, demands, requests, consents and other communications provided for in this MSA shall be given in writing, or by any telecommunication device capable of creating a written record (including electronic mail), and addressed to the party to be notified as follows:

If to the Hospital Parties:

Stan B. Kiser
County Manager
Yadkin County, North Carolina
Human Resources Building
217 E. Willow Street
Yadkinville, NC 27055

If to the Manager:

Lawrence J. Arthur
President/CEO
HMC/CAH Consolidated, Inc.
1100 Main Street, Suite 2350
Kansas City, Missouri 64105

or at such other address as such Parties shall designate in writing. All notices, demands, requests, consents and other communications described above shall be effective (a) if delivered

by hand, including any overnight courier service, upon personal delivery, (b) if delivered by mail, when deposited in the mails, or (c) if delivered by electronic mail or any other telecommunications device, when transmitted to an electronic mail address (or by another means of electronic delivery) provided by such Party.

3.4 Indemnification.

a. Indemnification by Manager. The Manager shall defend, indemnify and hold harmless the Hospital Parties from and against all liabilities, obligations, claims, losses, expenses (including attorneys' fees) of every kind and nature whatsoever (including, but not limited to, actual or alleged violation of any law, ordinance, regulation, order, other judicial or administrative decree or any common law duty), claim incurred by third parties, arising for or by reason of the Manager's negligent duties, obligations or performances under this MSA, that actually or allegedly is caused by or results from, in whole or in part, any negligent act or omission of the Manager or anyone for whose acts any of them may be liable.

b. Indemnification by Hospital Parties. The Hospital Parties shall defend, indemnify and hold harmless the Manager from and against all liabilities, obligations, claims, losses, expenses (including attorneys' fees) of every kind and nature whatsoever (including, but not limited to, actual or alleged violation of any law, ordinance, regulation, order, other judicial or administrative decree or any common law duty), claim incurred by third parties, arising for or by reason of the Hospital Parties' negligent duties, obligations or performances under this MSA that actually or allegedly is caused by or results from, in whole or in part, any negligent act or omission of the Hospital Parties or anyone for whose acts any of them may be liable.

c. Mutual Obligations. Each Party's indemnification obligation under this Section 3.4 shall not be limited in any way by any limitation on the amount or type of damages, compensation, or benefits payable by or for the Party. A Party shall promptly notify the other Party of all notices of claims and tender the defense of claims. The Parties agree to exercise all reasonable efforts to cooperate with one-another to the extent their respective interests may appear. Each Party's indemnity obligation includes indemnification for all reasonable expenses, court costs and attorney fees, including those incident to appeals incurred by or imposed upon the Party in connection with enforcement or defense of the Party's right to indemnity hereinabove provided. In addition, each Party agrees that the other Party may employ any attorney (or attorneys) of their choice and/or may use its in-house counsel in a matter or to enforce or defend the Party's right to the indemnity hereinabove provided. However, if the Party engages its own legal counsel, and the other Party has engaged or offered to engage legal counsel to defend the Party in the matter, such Party shall bear its own costs and expenses of its legal counsel, unless the Parties' positions in the matter are in conflict, in which case all reasonable costs and expenses of the Party's legal counsel shall be borne by the other Party.

d. Limitation for Environmental Liability. The Manager need not indemnify and defend the Hospital Parties for liability arising from the underground contamination of Hospital property, including environmental remediation or clean-up, except to the extent such contamination was caused or aggravated by the Manager's management of the Hospital in violation of duties imposed under this MSA. If property or groundwater contamination is discovered and was caused or aggravated by the Manager's management of the Hospital in violation of duties imposed under this MSA, then the costs associated with such Liability shall be apportioned between the Manager and the person responsible for such costs (or the Hospital Parties, if no responsible other person can be identified), if and to the extent it is possible to divide such costs, according to the degree of responsibility the law assigns to each. If the costs

associated with such liability cannot be apportioned in accordance with the immediately preceding sentence of this Section 3.4(d), the Manager and the Hospital Parties shall equally share the costs. This Agreement does not alter any liability the Hospital Parties may have prior to the Commencement Date for environmental remediation, environmental restoration, environmental repair or natural resources damages.

e. Right to Defend Interests; Survival. With respect to this Section 3.4, the Parties shall have the right to defend their respective interests. The costs for such defense shall be included as part of the costs of liability of the responsible Party pursuant to this Section 3.4 which shall survive the termination or expiration of this MSA.

3.5 Limitation of Liability. The Parties acknowledge and agree that because of the unique nature of the undertakings contemplated by this MSA, it is difficult or impossible to determine with precision the amount of damages that would or might be incurred by the Hospital Parties or the Manager as a result of a breach of this MSA. In no event, however, shall the Hospital Parties or the Manager Parties be liable for or obligated in any manner, except to the extent of indemnification of claims of third parties pursuant to Section 3.4, to pay incidental, special, punitive, consequential or indirect damages of any nature to the other Party because of a breach of this MSA (including acts of negligence, omissions or strict liability), warranty, delay or otherwise, arising out of the performance or nonperformance by the Hospital Parties or the Manager of their obligations under this MSA, including, without limitation, suits by third persons, incurred by it whether occurring during or subsequent to the performance of this MSA. If there is a mutual mistake, unless one Party had greater ability to determine or discover the mistake in advance, no Party shall seek indemnification from the other. This Section 3.5 shall survive the termination or expiration of this MSA.

3.6 Insurance Procurement by Manager. The Manager, on its own behalf and on behalf of any person directly or indirectly employed by it for whose acts or omissions it may be liable, shall secure, or cause to be secured, and maintain, at its cost and expense, including premium payments, a comprehensive general liability insurance policy including coverage as is sufficient and as is customarily carried by businesses of the size and character of the Manager. Such policy shall be secured prior to the Commencement Date and shall be continuously maintained through the Term. The Manager shall at the beginning of each Annual Term supply the Hospital Parties with proof of insurance in the form of a certificate. The Manager's failure to secure and maintain the insurance required under this Section 3.6 shall not relieve the Manager of its liability for any losses intended to be insured thereby. These insurance provisions shall not be construed or interpreted so as to conflict with the indemnification obligations of Section 3.4.

3.7 Assignment. No Party will assign or transfer this MSA or its right, title or interests or obligations therein, in whole or in part, without in each instance the other Party's advance written approval, which approval is in such Party's sole discretion. Violation of the terms of this Section 3.7 will constitute a breach of the MSA and any Party may, in its discretion, cancel this MSA upon written notice; provided that it is understood and agreed that this Section 3.7 shall not be construed or interpreted to restrict the Manager's ability to employ subcontractors in connection with performance of portions of its obligations hereunder.

3.8 Further Assurances. Each Party agrees to execute and deliver any instruments and to perform any acts that may be necessary or reasonably requested in order to give full effect to this MSA. The Hospital Parties shall execute such further instruments and documents and take such action as may be reasonably requested by the Manager and not inconsistent with

the provisions of this MSA and not involving the assumption of obligations other than those provided for in this MSA to carry out the intent of this MSA.

3.9 Severability. In the event that any provision of this MSA shall, for any reason, be determined to be invalid, illegal, or unenforceable in any respect, the Parties hereto shall negotiate in good faith and agree to such amendments, modifications, or supplements of or to this MSA or such other appropriate actions as shall, to the maximum extent practicable in light of such determination, implement and give effect to the intentions of the Parties as reflected herein, and the other provisions of this MSA shall, as so amended, modified, supplemented, or otherwise affected by such action, remain in full force and effect.

3.10 Liability of Officers and Employees. No member of the board or governing body of any Party nor any director, officer, agent, consultant, representative or employee of any Party shall be charged personally by the other or held contractually liable thereto under any term or provision of this MSA, because of any Party's execution or attempted execution or because of any breach or alleged breach thereof; provided, however, that all persons remain responsible for any of their own criminal actions.

3.11 No Pledge of Credit. Except as otherwise specified in this MSA, the Manager shall not pledge the Hospital Parties' credit or make it a guarantor of payment or surety for any contract, debt, obligation, judgment, lien or any form of indebtedness or the Hospital Parties' revenues from the Hospital.

3.12 Third Party Beneficiary. This MSA is intended to be solely for the benefit of the Parties and their successors and permitted assigns and is not intended to and shall not infer any rights or benefits on any third party not a signature hereto, except as specifically set forth herein.

3.13 License of Intellectual Property Rights.

a. License to Hospital Parties. The Manager hereby grants to the Hospital Parties the irrevocable and unrestricted right to use all formulas, processes, know-how, technology, innovations, computer software, trade secrets and other intellectual property (the "Intellectual Property") owned by the Manager or its affiliates on the Commencement Date and used, developed, upgraded, enhanced or otherwise improved by the Hospital Parties or the Manager and/or its affiliates in connection with the performance of their obligations pursuant to this MSA, both during the Term; provided, however, the Hospital Parties may not sell, license or formally authorize any other person to use the Intellectual Property, but the Hospital Parties and its employees and representatives may discuss, publish or otherwise freely and publicly communicate information concerning the Intellectual Property. Any license the Hospital Parties have under this Section 3.13 shall not be transferable by the Hospital Parties. The Hospital Parties acknowledge and agree that the Intellectual Property owned by the Manager or its affiliates on the Commencement Date and used, developed, upgraded, enhanced or otherwise improved by the Hospital Parties or the Manager and/or its affiliates in connection with the performance of their obligations pursuant to this MSA shall remain the property of the Manager or its affiliates both during the term of this MSA and after its expiration or termination.

b. License to Manager. The Hospital Parties hereby grants to the Manager and its affiliates the irrevocable and unrestricted right to use all the Intellectual Property owned by the Hospital Parties on the Commencement Date and used, developed, upgraded, enhanced or otherwise improved by the Manager and/or its affiliates or the Hospital Parties in connection

with the performance of their obligations pursuant to this MSA, both during the Term; provided, however, the Manager may not sell, license or formally authorize any other Person to use the Intellectual Property, but the Manager and its affiliates and their employees and representatives may discuss, publish or otherwise freely and publicly communicate information concerning the Intellectual Property. Any license the Manager and its Affiliates have under this Section 3.13 shall not be transferable by the Manager or its affiliates. The Manager acknowledges and agrees that the Intellectual Property owned by the Hospital Parties and used, developed, upgraded, enhanced or otherwise improved by the Hospital Parties or the Manager and/or its affiliates in connection with the performance of their obligations pursuant to this MSA shall remain the property of the Hospital Parties both during the term of this MSA and after its expiration or termination.

3.14 Waiver. The waiver by any Party of a default or a breach of any provision of this MSA by the other Party shall not operate or be construed to operate as a waiver of any subsequent default or breach. The making or the acceptance of a payment by any Party with knowledge of the existence of a default or breach shall not operate or be construed to operate as a waiver of such default or breach or any subsequent default or breach.

3.15 Entire Agreement; Modifications and Amendments. The provisions of this MSA, including the present and all future exhibits or schedules, shall constitute the entire agreement between the Parties and except as specifically set forth herein, this MSA shall supersede any negotiation, proposal or agreements, written or oral, prior to the Effective Date, there being no agreements or understandings other than those written or specified herein, and this MSA shall not be modified or amended except by written agreement duly entered into and executed by the Parties with the same formality as this MSA.

3.16 Headings. The captions and headings in this MSA are for ease of reference only and do not constitute a part of this MSA.

3.17 Governing Law. This MSA and any questions concerning its validity, construction or performance shall be governed exclusively by the laws of the State of North Carolina, without respect to conflicts of law principals and irrespective of the place of execution or of the order in which the signatures of the Parties are affixed or of the place or places of performance.

3.18 Counterparts. This MSA may be executed in more than one counterpart, each of which shall be deemed to be an original.

[SIGNATURE PAGE TO FOLLOW]

In Witness Whereof, the Parties hereto have caused this MSA to be executed by their respective officers thereunto duly authorized, as of the date last below written.

DATE: _____ HMC MANAGEMENT COMPANY LLC

By: _____
President

Attest:

Secretary

(No Corporate Seal)

DATE: 03/02/09 COUNTY OF YADKIN

By: 
Chairman

Attest:

Clerk

(County Seal)

DATE: _____ HOOTS MEMORIAL HOSPITAL, INC.

By: _____
Chair, Board of Trustees

Attest:

Secretary

(Corporate Seal)