
ASSET PURCHASE AGREEMENT

BY AND AMONG

THE BOARD OF TRUSTEES OF BAY MEDICAL CENTER,

NEWCO, INC.,

BAY COUNTY HEALTH SYSTEM, LLC,

LHP HOSPITAL GROUP, INC.,

AND

SACRED HEART HEALTH SYSTEM, INC.

_____, 2012

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| 1. PURCHASE OF ASSETS..... | 2 |
| 1.1. Assets | 2 |
| 1.2. Excluded Assets | 4 |
| 1.3. Assumed Liabilities | 5 |
| 1.4. Excluded Liabilities | 6 |
| 1.5. Purchase Price..... | 7 |
| 1.6. Net Working Capital, Estimates, and Audits..... | 8 |
| 2. OWNED REAL PROPERTY..... | 9 |
| 2.1. Real Property | 9 |
| 2.2. Property Documents..... | 9 |
| 2.3. Reserved..... | 10 |
| 2.4. Title Commitment..... | 10 |
| 2.5. Title Review..... | 11 |
| 2.6. Delivery of Title Policy at Closing..... | 11 |
| 2.7. Survey | 11 |
| 2.8. Permitted Exceptions | 12 |
| 2.9. Estoppel Certificates | 12 |
| 2.10. Assignment and Assumption of Assumed Leases | 13 |
| 2.11. Permits and Approvals..... | 13 |
| 3. CLOSING..... | 13 |
| 3.1. Closing..... | 13 |
| 3.2. Deliverables of Seller at Closing | 13 |
| 3.3. Deliverables of Buyer at Closing..... | 15 |
| 4. REPRESENTATIONS AND WARRANTIES OF SELLER..... | 16 |
| 4.1. Existence and Capacity..... | 16 |
| 4.2. Powers; Consents; Absence of Conflicts With Other Agreements, Etc | 16 |
| 4.3. Binding Agreement..... | 17 |
| 4.4. Governmental Consents and Approvals..... | 17 |
| 4.5. Third Party Consents..... | 17 |
| 4.6. Financial Statements | 17 |
| 4.7. Certain Post-Balance Sheet Results | 17 |
| 4.8. Extraordinary Liabilities | 18 |
| 4.9. Licenses..... | 18 |
| 4.10. Partial Subsidiaries..... | 19 |
| 4.11. Medicare Participation/Accreditation | 20 |
| 4.12. Compliance with Laws. | 21 |
| 4.13. Title to Assets | 22 |
| 4.14. Condition of the Assets..... | 22 |
| 4.15. Equipment | 23 |
| 4.16. Employee Benefit Plans..... | 23 |
| 4.17. Litigation or Proceedings..... | 24 |
| 4.18. Taxes..... | 24 |
| 4.19. Employee Relations. | 25 |

| | | |
|-------|---|----|
| 4.20. | Reserved..... | 26 |
| 4.21. | The Contracts | 26 |
| 4.22. | Existing Leases | 27 |
| 4.23. | Inventory..... | 27 |
| 4.24. | Insurance..... | 27 |
| 4.25. | Third Party Payor Cost Reports | 27 |
| 4.26. | Medical Staff Matters | 28 |
| 4.27. | Intellectual Property; Computer Software | 28 |
| 4.28. | Accounts Receivable..... | 28 |
| 4.29. | Experimental Procedures | 29 |
| 4.30. | Compliance Program | 29 |
| 4.31. | Full Disclosure | 29 |
| 4.32. | Survival of Representations and Warranties..... | 29 |
| 5. | REPRESENTATIONS AND WARRANTIES OF BUYER..... | 30 |
| 5.1. | Existence and Capacity..... | 30 |
| 5.2. | Powers; Consents; Absence of Conflicts With Other Agreements, Etc | 30 |
| 5.3. | Binding Agreement..... | 30 |
| 5.4. | Sufficient Funds..... | 31 |
| 5.5. | Governmental Consents and Approvals..... | 31 |
| 5.6. | Litigation or Proceedings..... | 31 |
| 5.7. | Survival of Representations and Warranties..... | 31 |
| 6. | COVENANTS OF SELLER PRIOR TO CLOSING | 31 |
| 6.1. | Information | 31 |
| 6.2. | Operations..... | 32 |
| 6.3. | Negative Covenants | 32 |
| 6.4. | Governmental Approvals..... | 33 |
| 6.5. | Additional Financial Information | 33 |
| 6.6. | No-Shop Clause | 33 |
| 6.7. | Insurance Ratings..... | 33 |
| 6.8. | Tail Insurance..... | 34 |
| 6.9. | Best Efforts | 34 |
| 7. | COVENANTS OF BUYER PRIOR TO CLOSING | 34 |
| 7.1. | Governmental Approvals..... | 34 |
| 7.2. | Best Efforts | 34 |
| 8. | CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER..... | 34 |
| 8.1. | Representations/Warranties | 34 |
| 8.2. | Pre-Closing Confirmations | 34 |
| 8.3. | Property Documents..... | 35 |
| 8.4. | Title Policy..... | 35 |
| 8.5. | Actions/Proceedings | 35 |
| 8.6. | Adverse Change | 35 |
| 8.7. | Insolvency..... | 35 |
| 8.8. | Consents to Assignments | 35 |
| 8.9. | Closing Deliveries..... | 35 |
| 9. | CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER..... | 35 |
| 9.1. | Representations/Warranties | 35 |

| | | |
|--------|--|----|
| 9.2. | Governmental Approvals | 36 |
| 9.3. | Actions/Proceedings | 36 |
| 9.4. | Insolvency | 36 |
| 9.5. | Contract Releases | 36 |
| 9.6. | Closing Deliveries | 36 |
| 10. | ADDITIONAL AGREEMENTS | 36 |
| 10.1. | Allocation of Purchase Price | 36 |
| 10.2. | Termination Prior to Closing | 36 |
| 10.3. | Post Closing Access to Information | 37 |
| 10.4. | Preservation and Access to Records After the Closing | 37 |
| 10.5. | CON Disclaimer | 38 |
| 10.6. | Tax and Medicare Effect | 38 |
| 10.7. | Reproduction of Documents | 38 |
| 10.8. | Cooperation on Tax Matters | 38 |
| 10.9. | Cost Reports | 38 |
| 10.10. | Misdirected Payments, Etc | 39 |
| 10.11. | Employee Matters | 39 |
| 10.12. | Hospital Name | 40 |
| 10.13. | Use of Controlled Substance Permits | 40 |
| 10.14. | Quality Reporting and Quality Programs | 41 |
| 10.15. | Medical Staff Matters | 41 |
| 10.16. | CHOW Filing | 41 |
| 10.17. | Payment of Sales Taxes | 42 |
| 10.18. | Non-Assignable Contracts | 42 |
| 10.19. | Limited Guarantors' Guaranty | 42 |
| 11. | INDEMNIFICATION | 43 |
| 11.1. | Indemnification by Buyer | 43 |
| 11.2. | Indemnification by Seller | 43 |
| 11.3. | Duration of Indemnification Obligations | 43 |
| 11.4. | Limitations | 44 |
| 11.5. | Notice and Control of Litigation | 44 |
| 11.6. | Notice of Claim | 45 |
| 11.7. | Funding of Seller's Indemnification Obligations | 45 |
| 11.8. | Exclusive Remedy | 46 |
| 12. | MISCELLANEOUS | 46 |
| 12.1. | Schedules and Other Instruments | 46 |
| 12.2. | Additional Assurances | 46 |
| 12.3. | Consents, Approvals, and Discretion | 47 |
| 12.4. | Legal Fees and Costs | 47 |
| 12.5. | Choice of Law | 47 |
| 12.6. | Benefit/Assignment | 47 |
| 12.7. | No Brokerage | 47 |
| 12.8. | Cost of Transaction | 47 |
| 12.9. | Confidentiality | 48 |
| 12.10. | Public Announcements | 48 |
| 12.11. | Waiver of Breach | 49 |

| | | |
|--------|------------------------------------|----|
| 12.12. | Notice | 49 |
| 12.13. | Severability | 50 |
| 12.14. | Gender and Number | 50 |
| 12.15. | Divisions and Headings | 50 |
| 12.16. | Affiliates | 50 |
| 12.17. | Mediation and Arbitration..... | 51 |
| 12.18. | Accounting Date | 51 |
| 12.19. | No Inferences | 51 |
| 12.20. | No Third Party Beneficiaries | 51 |
| 12.21. | Enforcement of Agreement..... | 51 |
| 12.22. | Entire Agreement/Amendment | 52 |
| 12.23. | Other Owners of Assets | 52 |
| 12.24. | Risk of Loss | 52 |

EXHIBITS

| <i>Description</i> | <i>Exhibit</i> |
|---|----------------|
| Hospital Description | A |
| Bill of Sale | B |
| Facility Lease | C |
| Assignment and Assumption of Assumed Leases | D |
| Assignment and Assumption Agreement..... | E |
| Tenant Letters | F |
| Closing Statement | G |
| Limited Power of Attorney | H |
| Escrow Agreement..... | I |
| License Agreement | J |
| Administrative Services Agreement | K |
| Escrow Agreement..... | L |
| Buyer's Due Diligence Requests..... | M |
| Promissory Note..... | N |

SCHEDULES

| <i>Description</i> | <i>Schedules</i> |
|---|-------------------------|
| Assumed Leases | 1.1(a) |
| Asset Listing | 1.1(b) |
| Excluded Assets | 1.2 |
| Excluded Contracts | 1.2(n) |
| Long Term Debt and Capital Leases | 1.3(c) |
| Excluded Financial Liabilities | 1.3(g) |
| Excluded Liabilities | 1.4 |
| Estimated Net Working Capital | 1.6(b) |
| Owned Real Property | 2.1 |
| Permitted Exceptions | 2.8 |
| Governmental Consents & Approvals | 4.4 |
| Third Party Consents | 4.5 |
| Financial Statements | 4.6 |
| Extraordinary Liabilities | 4.8 |
| Licenses | 4.9 |
| Partial Subsidiaries | 4.10 |
| Medicare Participation/Accreditation | 4.11 |
| Permitted Encumbrances | 4.13 |
| Condition of Assets | 4.14 |
| Depreciation Schedule | 4.15 |
| Employee Benefit Plans | 4.16 |
| Seller Litigation or Proceedings | 4.17 |
| Material Contracts | 4.21 |
| Contracts Requiring Consent to Assign | 4.21(d) |
| Prepayments | 4.21(e) |
| Penalties On Assignment | 4.21(f) |
| Insurance | 4.24 |
| Intellectual Property/Computer Software | 4.27 |
| Buyer Governmental Consents & Approvals | 5.5 |
| Buyer Litigation or Proceedings | 5.6 |
| Material Consents | 8.8 |
| Allocation of Purchase Price | 10.1 |

GLOSSARY OF DEFINED TERMS

Description

Section

[To be incorporated in subsequent draft]

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the “**Agreement**”) is made and entered into as of _____, 2012 (“**Effective Date**”), by and among **THE BOARD OF TRUSTEES OF BAY MEDICAL CENTER**, a Florida non-taxable governmental health care provider created as a Florida independent special district (“**Seller**”), **NEWCO, INC., a Florida corporation** (“**Buyer**”), **BAY COUNTY HEALTH SYSTEM, LLC**, a Delaware limited liability company (“**BCHS**”) and **LHP HOSPITAL GROUP, INC.**, a Delaware corporation (“**LHP**”), and **SACRED HEART HEALTH SYSTEM, INC.**, a Florida non-profit corporation (“**SHHS**,” and collectively with LHP, the “**Limited Guarantors**”).

RECITALS:

A. Seller owns and operates Bay Medical Center, a 323 bed acute care hospital located in Panama City, Florida, related out-patient treatment and diagnostic centers, and other related healthcare facilities and services associated therewith, which are more accurately described on **Exhibit A** attached hereto and incorporated herein (collectively, the “**Hospital**”).

B. Seller desires to sell to Buyer and Buyer desires to purchase from Seller substantially all of the assets of Seller other than the Owned Real Property (as defined in **Section 2.1**) that are directly or indirectly related to, necessary for, or used in connection with, the operation of the Hospital on the terms and conditions set forth in this Agreement.

C. In connection with Buyer’s acquisition of Seller’s assets in accordance with the terms of this Agreement, Seller has agreed to lease to Buyer and Buyer has agreed to lease from Seller all of the Owned Real Property.

D. Buyer is a wholly-owned subsidiary of BCHS.

E. The Limited Guarantors are the direct or indirect owners of 100% of the equity interests of BCHS.

F. To continue Seller’s mission of providing health care to the citizens of Bay County and the surrounding areas regardless of ability to pay, Seller believes that it is in the best interests of Seller and the citizens of Bay County and the surrounding areas that Seller sell substantially all of Seller’s assets, other than the Leased Premises (as defined in a separate Lease of even date between Seller as Lessor and Buyer as Lessee), to Buyer, thereby enabling Buyer and BCHS to operate the Hospital.

G. In entering this Agreement, Seller specifically finds that:

(i) The Agreement is in the best interest of the public and in furtherance of the purpose of the Seller as stated in Section 10 of Special Act, which is to manage and develop quality and comprehensive health care facilities “in an increasingly competitive and rapidly changing marketplace” for the residents of Bay County;

(ii) The articles of incorporation of the Buyer have been reviewed and

approved;

(iii) The Lease and Asset Purchase Agreement provide for the orderly transition of the operation and management of the Hospital and Leased Premises to Lessee;

(iv) The Hospital and Leased Premises shall be returned to Seller at the end of the Lease, subject to the conditions herein;

(v) The Agreement and Lease reasonably assure the availability of comprehensive health care in Bay County and provides for continued treatment of indigent patients pursuant to Florida Healthcare Responsibility Act and pursuant to Chapter 87-92 of the Laws of Florida;

(vi) The Agreement is for fair market value based on an independent fair market evaluation and opinion.

H. The parties specifically intend that the Lease and the Asset Purchase Agreement (i) do not involve the transfer of a governmental function from the Seller to the Buyer, (ii) do not constitute a financial interest of the Seller in the Buyer; and (iii) do not make the Buyer an integral part of the Seller's decision-making process.

AGREEMENT:

NOW, THEREFORE, for and in consideration of the premises and the agreements, covenants, representations, and warranties hereinafter set forth and other good and valuable consideration, the receipt and adequacy of which are forever acknowledged and confessed, the parties hereto agree as follows:

1. PURCHASE OF ASSETS.

1.1. Assets. Subject to the terms and conditions of this Agreement, as of the Closing (as defined in **Section 3.1** hereof), Seller and its Affiliates shall sell, convey, transfer, and deliver to Buyer, pursuant to a General Assignment, Conveyance and Bill of Sale substantially in the form attached hereto as **Exhibit B ("Bill of Sale")**, free and clear of all liens and encumbrances except for **Permitted Exceptions** and **Permitted Encumbrances**, and Buyer shall purchase, all of Seller's and its Affiliates' rights, title and interest in and to the assets, other than the Owned Real Property, directly or indirectly related to, necessary for, or used in connection with, the operation of the Hospital, other than the Excluded Assets (as defined in **Section 1.2**) (the "**Assets**"), which shall include, without limitation, the following:

(a) the leases listed on **Schedule 1.1(a)** hereto (the "**Assumed Leases**") and Seller's and its Affiliates' interest in the real property conveyed by the Assumed Leases (collectively, the "**Leased Property**"), together with all of Seller's and Seller's Affiliates' records related thereto;

(b) all tangible personal property, including, without limitation, all equipment, vehicles, and furniture and furnishings located at the Hospital or used directly in connection with the operation of the Hospital, including, without limitation, the property described on **Schedule 1.1(b)** hereto;

(c) all supplies and inventory owned by Seller and its Affiliates and used or useful in connection with the operation of the Hospital, including pharmaceuticals and other consumables (collectively the “**Inventory**”);

(d) assumable deposits, prepaid expenses, and claims for refunds (excluding prepaid expenses and claims for refunds relating to **Section 1.2(g)**);

(e) all accounts receivable (other than receivables from governmental third-party payors that by Law (as defined in **Section 4.12(b)**) may not be assigned) arising from the rendering of services to patients at the Hospital, billed and unbilled, recorded or unrecorded, with collection agencies or otherwise, accrued and existing in respect of services rendered up to the Closing Date (as defined in **Section 3.1** hereof);

(f) all rights to receive the proceeds attributable to Seller’s performance of healthcare items and services to Medicare, Medicaid and third-party payor beneficiaries or any other governmental payor, regardless of whether billed and unbilled, recorded or unrecorded, accrued and existing in respect of services rendered up to the Closing Date, which by Law may not be assigned to Buyer (excluding settlement accounts relating to **Section 1.2(c)**);

(g) all claims, causes of action, and judgments in favor of Seller relating to the condition of the Assets and, to the extent assignable by Seller, all warranties (express or implied) and rights and claims assertable by Seller related to the Assets (excluding claims, causes of action, and judgments relating to **Section 1.2(m)**);

(h) all financial, patient, medical staff, and personnel records relating to the Hospital (including, without limitation, all accounts receivable records, equipment records, medical administrative libraries, medical records, patient billing records, documents, catalogs, books, records, files, operating manuals, and current personnel records);

(i) all rights and interests of Seller and its Affiliates in all of the contracts, commitments, and agreements used directly in connection with the operation of the Hospital, but excluding any contracts, commitments, and agreements listed on Schedule 1.2(n)(the “**Contracts**”);

(j) all licenses and permits, to the extent assignable, held by Seller relating to the ownership, development, and operation of the Hospital (including, without limitation, any pending or approved governmental approvals);

(k) all software, software licenses, websites and copyrighted materials used in connection with the operation of the Hospital;

(l) all names, trade names, trademarks, service marks (or variations thereof), telephone numbers, facsimile numbers, email addresses and domain names associated with the

Hospital, all goodwill associated therewith, and all applications and registrations associated therewith, excluding the name "Bay Medical Center";

(m) all goodwill associated with the Hospital and the Assets;

(n) the electronic funds transfer account of the Hospital (the "EFT Account") and all information necessary to access the EFT Account;

(o) all other property, other than the Excluded Assets, of every kind, character, or description owned by Seller or its Affiliates and used or held for use in the business of the Hospital or in connection with the Assets, whether or not reflected on the Financial Statements, wherever located and whether or not similar to the items specifically set forth above, and all other businesses and ventures owned by Seller in connection with the operations of the Hospital or the Assets; and

(p) the interest of Seller in all property of the foregoing types, arising or acquired in the ordinary course of the business of Seller in respect of the Hospital between the date hereof and the Closing.

1.2. Excluded Assets. Those assets of Seller described below, together with any assets described on Schedule 1.2 hereto, although they may related to the Hospital, are not Assets as that term is defined herein and shall be retained by Seller (collectively, the "Excluded Assets") and shall not be conveyed to Buyer:

(a) cash, cash equivalents and short-term investments;

(b) all Owned Real Property and Improvements (as defined in Section 2.1) located thereon ;

(c) board-designated, restricted, and trustee-held or escrowed funds (such as funded depreciation, debt service reserves, self insurance trusts, working capital trust assets, and assets and investments restricted as to use), trusts related to employee benefits, trusts related to self-insurance, donor-restricted assets, beneficial interests in charitable trusts, and accrued earnings on all of the foregoing;

(d) all amounts payable to Seller in respect of third party payors pursuant to any pending retrospective settlements (including, without limitation, pursuant to Medicare, Medicaid, and CHAMPUS/TRICARE cost reports filed or to be filed by Seller for periods prior to the date of Closing);

(e) all minute books and other corporate records and corporate seals and all Seller records relating to the Excluded Assets and Excluded Liabilities (as defined below) and all records that by Law Seller is required to maintain in its possession;

(f) all employee benefit plans and all assets related thereto, except to the extent specifically included among the Contracts assigned to and assumed by Buyer pursuant to Section 1.1(i);

(g) any reserves, prepaid expenses, unpaid rebates or overpayments related to Excluded Assets and Excluded Liabilities (such as prepaid legal expenses or insurance premiums), including Workers Compensation deposits;

(h) all insurance policies and proceeds arising in connection with the operation of the Hospital or the Assets prior to the Closing Date;

(i) all interests in, and assets related to, the Seller's medical malpractice self-insurance trust fund;

(j) all interests in, and assets related to, the Foundation of Bay Medical Center;

(k) all rights of Seller under this Agreement and any related documents;

(l) all claims for refunds of taxes and other governmental charges of whatever nature; and

(m) all claims, causes of action, and judgments (whether or not pending on the date hereof) relating to (i) Seller's or Seller's Affiliates' claims against BP p.l.c. or any affiliates thereof or any other persons or entities in connection with the April 2010 oil spill, (ii) Seller's claim against the Government Risk Insurance Trust [CONFIRM NAME], or (iii) any Excluded Assets or Excluded Liabilities.

(n) All contracts, commitments and agreements listed on **Schedule 1.2(n)** hereto ("**Excluded Contracts**").

1.3. Assumed Liabilities. Subject to Buyer's receipt from Seller at Closing of all Material Consents set forth on **Schedule 8.8** (or Buyer's election to waive receipt of any such consents prior to Closing), and further subject to the provisions of Section 10.18, as of the Closing Date, in connection with the conveyance of the Assets to Buyer, Buyer agrees to assume the future payment and performance of the following liabilities and obligations (the "**Assumed Liabilities**") of Seller:

(a) all obligations accruing after the Closing Date with respect to the Contracts and the Existing Leases;

(b) the trade accounts payable and current liabilities of Seller as of the Closing Date, but only to the extent such accounts payable and current liabilities are included in the calculation of Net Working Capital (as defined below);

(c) the long term debt and capital lease obligations set forth on **Schedule 1.3(c)** hereto;

(d) obligations and liabilities as of the Closing Date in respect of accrued payroll, paid time off and vacation benefits of Seller's employees who are hired by LHP, or an affiliate or subsidiary thereof, as of the Closing Date and related taxes, but only to the extent

such accrued paid time off and vacation benefits and related taxes are included in the calculation of Net Working Capital;

(e) all liabilities and obligations that relate to acts or occurrences arising after the Closing Date under the terms of the Medicare, Medicaid, CHAMPUS/TRICARE, Blue Cross, or other third party payor programs;

(f) all liabilities and obligations that relate to acts or occurrences after the Closing Date that arise out of or relate to the Assets; and

(g) all current liabilities included in the Financial Statements, including, but not limited, accounts payable and accrued expenses, except as set forth on **Schedule 1.3(g)**.

1.4. Excluded Liabilities. Except for the Assumed Liabilities, Buyer shall not assume and under no circumstances shall Buyer be obligated to pay, perform discharge or assume, and none of the assets of Buyer shall be or become liable for or subject to, any liability, indebtedness, commitment, or obligation of Seller, whether known or unknown, fixed or contingent, recorded or unrecorded, currently existing or hereafter arising or otherwise (collectively, the “**Excluded Liabilities**”), including, without limitation, the following Excluded Liabilities:

(a) any debt, obligation, expense, or liability that is not an Assumed Liability, including those liabilities set forth on **Schedule 1.3(g)**;

(b) claims or potential claims for medical malpractice or general liability to the extent arising from events asserted to have occurred prior to the Closing Date;

(c) those claims and obligations (if any) specified in **Schedule 1.4** hereto;

(d) any liabilities or obligations to the extent or arising out of any of the Excluded Assets;

(e) liabilities and obligations of Seller in respect of periods prior to the Closing Date arising under the terms of the Medicare, Medicaid, CHAMPUS/TRICARE, Blue Cross, or other third party payor programs, and any liability arising pursuant to the Medicare, Medicaid, CHAMPUS/TRICARE, Blue Cross or any other third party payor programs as a result of the consummation of any of the transactions contemplated under this Agreement, all to the extent permitted by Law;

(f) except as specifically provided in **Section 10.17** hereof, federal, state, or local tax liabilities or obligations of Seller in respect of periods prior to the Closing Date or resulting from the consummation of the transactions contemplated herein, including, without limitation, any income tax, franchise tax, tax recapture, and any FICA, FUTA, workers’ compensation, and any and all other taxes or amounts due and payable as a result of Seller’s employees exercising their right to paid time off, vacation, sick leave, and holiday benefits accrued while in the employ of Seller (provided, however, that this clause (f) shall not apply to taxes payable with respect to any employee benefits constituting Assumed Liabilities under **Section 1.3(d)** hereof);

(g) liability for any and all claims by or on behalf of Seller's employees relating to periods prior to the Closing Date including, without limitation, liability for any pension, profit sharing, stock bonus, deferred compensation, group health, or any other employee health and welfare benefit plans, liability for any EEOC claim, ADA claim, FMLA claim, wage and hour claim, unemployment compensation claim, or workers' compensation claim (excluding liabilities constituting Assumed Liabilities under **Section 1.3(d)**);

(h) any obligation or liability accruing, arising out of, or relating to any federal, state, or local investigations of, or claims or actions against, Seller or any of its Affiliates or any of their employees, medical staff, agents, vendors, or representatives with respect to acts or omissions prior to the Closing Date;

(i) any civil or criminal obligation or liability accruing, arising out of, or relating to any acts or omissions of Seller, its Affiliates, or their directors, officers, employees, and agents claimed to violate any Laws;

(j) liabilities or obligations arising as a result of any breach by Seller at any time of any contract or commitment that is not assumed by Buyer;

(k) liabilities or obligations to the extent arising out of any breach by Seller prior to the Closing Date of any Contract;

(l) any obligation or liability asserted under the federal Hill-Burton program or other restricted grant and loan programs, to the extent or arising out of the ownership or operation of the Hospital or the Assets prior to the Closing Date;

(m) any debt, obligation, expense, or liability of Seller arising solely out of or incurred solely as a result of any transaction of Seller occurring after the Closing or for any violation by Seller of any Law, regulation, or ordinance at any time (including, without limitation, those pertaining to fraud, environmental, healthcare regulatory, and ERISA matters);

(n) all liabilities and obligations relating to the Florida Health Care Responsibility Act, to the extent arising out of the ownership or operation of the Hospital or the Assets prior to the Closing Date; and

(o) all liabilities and obligations relating to any oral agreements, oral contracts, or oral understandings with any referral sources including, but not limited to, physicians, unless reduced to writing and assumed as part of the Assets.

1.5. Purchase Price. The purchase price for the Assets shall be Thirty Million Eight Hundred Thousand and 00/100 Dollars (\$30,800,000.00), (i) plus or minus the amount by which the Net Working Capital (as defined in **Section 1.6(a)**) as of the Closing Date exceeds or is less than \$ _____, and (ii) minus the amount of any long-term debt or capitalized leases listed in **Schedule 1.3(c)** (in the aggregate, the "**Purchase Price**"). The Purchase Price shall be calculated as of the Closing Date based upon the estimated Net Working Capital (as determined in accordance with **Section 1.6(b)**). The Purchase Price shall be adjusted after the Closing in accordance with **Section 1.6** to reflect the Actual Net Working Capital (as determined in

accordance with **Section 1.6(b)**). Buyer shall pay the Purchase Price to Seller at the Closing by wire transfer of immediately available funds to an account designated by Seller or, at Buyer's election, by a promissory note of SHHS, substantially in the form attached as **Exhibit N**, assigned by Buyer to Seller.

1.6. Net Working Capital, Estimates, and Audits.

(a) Net Working Capital. As used herein, the term "**Net Working Capital**" shall mean the aggregate value of the current assets of Seller conveyed to Buyer pursuant to **Section 1.1** hereof (excluding those Excluded Assets that would otherwise be included in current assets), minus the aggregate value of the current liabilities of Seller assumed by Buyer pursuant to **Section 1.3** hereof (excluding those Excluded Liabilities that would otherwise be included in current liabilities), all as determined in accordance with government accounting standards ("**GASB**"). In any case with respect to the computation of Net Working Capital (i) the following shall be included in current assets: patient accounts receivable (net of allowances for contractual adjustments and uncollectibles based upon an evaluation of historical collections to gross revenues and less 10% for timing and costs of collection), assumable prepaid expenses, and usable Inventories, and (ii) the following shall be included in current liabilities: accounts payable, accrued expenses, and accrued paid time off and vacation.

(b) Estimates and Adjustments. At least ten (10) business days prior to Closing Date, Seller shall deliver to Buyer a reasonable estimate of Net Working Capital as of the end of the most recently ended calendar month prior to the Closing Date for which financial statements are available and containing reasonable detail and supporting documents showing the derivation of such estimate. Subject to the mutual agreement of Seller and Buyer, the estimated Net Working Capital together with the principles, specifications, and methodologies for determining the estimated Net Working Capital, shall be specified in **Schedule 1.6(b)** and shall be used for purposes of calculating the Purchase Price payable as of the Closing. Within sixty (60) days after the Closing Date, Buyer shall deliver to Seller its determination of the Net Working Capital as of the Closing Date ("**Actual Net Working Capital**") (following the same principles, specifications, and methodologies used to determine the estimated Net Working Capital as set forth on **Schedule 1.6(b)**). Each party shall have full access to the financial books and records pertaining to the Hospital to confirm or audit Actual Net Working Capital computations. Should Seller disagree with Buyer's determination of Actual Net Working Capital, it shall notify Buyer within sixty (60) days after Buyer's delivery of its determination of Actual Net Working Capital. If Seller and Buyer fail to agree within thirty (30) days after Seller's delivery of notice of disagreement on the amount of Actual Net Working Capital, such disagreement shall be resolved in accordance with the procedure set forth in **Section 1.6(c)** which shall be the sole and exclusive remedy for resolving accounting disputes relative to the determination of Actual Net Working Capital. The Purchase Price shall be increased or decreased based on Actual Net Working Capital as of the Closing Date, and within five (5) business days after determination thereof any increase shall be paid in cash by Buyer to Seller, and any decrease shall be paid in cash to Buyer by Seller.

(c) Dispute of Adjustments. In the event that Seller and Buyer are not able to agree on Actual Net Working Capital within thirty (30) days after Seller's delivery of notice of disagreement, Seller and Buyer shall each have the right to require that such disputed

determination be submitted to _____, or if _____ is not available for any reason or is not then independent with respect to both Seller and Buyer, such other independent certified public accounting firm as Seller and Buyer may then mutually agree upon in writing (the “**Accounting Firm**”) for computation or verification in accordance with the provisions of this Agreement. The Accounting Firm shall review the matters in dispute and, acting as arbitrators, shall promptly decide the proper amounts of such disputed entries (which decision shall also include a final calculation of Actual Net Working Capital). The submission of the disputed matter to the Accounting Firm shall be the exclusive remedy for resolving disputes relative to the determination of Actual Net Working Capital. The Accounting Firm’s determination shall be binding upon Seller and Buyer. The Accounting Firm’s fees and expenses shall be borne equally by Seller and Buyer.

(d) Prorations. Except as otherwise provided herein (for example, in the determination of Actual Net Working Capital) or as settled at Closing, within ninety (90) days after the Closing Date, Buyer and Seller shall prorate as of the Closing Date any amounts that become due and payable on and after the Closing Date with respect to: (i) the Contracts; (ii) ad valorem taxes, if any, on the Assets (which shall be prorated as of the Closing Date); (iii) personal property taxes on the Assets (which shall be prorated as of the Closing Date); and (iv) all utilities servicing any of the Assets, including water, sewer, telephone, electricity, and gas service. Any such amounts that are not available within ninety (90) days after the Closing Date shall be similarly prorated as soon as practicable thereafter.

2. OWNED REAL PROPERTY.

2.1. Real Property. At Closing, Seller shall lease the Owned Real Property described on Schedule 2.1, together with: (i) all improvements and fixtures located thereon (“**Improvements**”) as of the Closing Date; (ii) all rights, benefits, privileges, easements, tenements, hereditaments, and appurtenances thereon or in any way appertaining thereto; and (iii) all right, title, and interest of Seller, if any, in and to all strips and gores and any land lying in the bed of any street, road or alley, open or proposed, adjoining such land (collectively, the “**Owned Real Property**”) to Buyer pursuant to a lease substantially in the form of the Lease attached hereto as Exhibit C (the “**Facility Lease**”).

2.2. Property Documents. To the extent such materials exist, are in the possession of Seller or its agents or Affiliates or are otherwise readily accessible, within ten (10) days following the execution of this Agreement, (if not previously delivered to Buyer), Seller shall deliver, or otherwise make available to Buyer, true and complete copies of:

(a) all leases affecting the Owned Real Property, together with all amendments and modifications of any of the foregoing (“**Existing Leases**”);

(b) A schedule of all Existing Leases currently in effect as of the Effective Date, reflecting with respect to each Existing Lease the suite number or other appropriate designation of the space occupied and the number of square feet of rentable area, the name of the lessee, the term of the Existing Lease, the monthly rental, the escalations or pass-throughs (including an enumeration of expenses to be paid by the lessee, identifying the base year for calculation of escalations and the amount of base year expenses agreed upon by the lessor and

lessee and the amount of the latest billings to the lessee with respect to all escalations), whether such rent includes utilities or other services, the amount of the security or other deposit collected and/or applied, together with a description of any agreement of the lessor to pay interest on or otherwise deal with the security deposit, the amount of prepaid rent (if any), and any extraordinary provisions such as rent concessions, allowances and options;

- (c) the most recent real estate tax bills pertaining to the Owned Real Property;
- (d) as-built plans and specifications for the Improvements, including the plans and specifications for and a complete description of all existing renovations to the Owned Real Property and the rentable space therein;
- (e) as-built drawings of underground utilities (including sewer, gas, water, telephone and electrical service cables) located under the Owned Real Property, if available;
- (f) a schedule of all insurance policies (including the amount of coverage, deductible and annual premiums thereunder) in effect with respect to the Owned Real Property;
- (g) all existing property inspection and environmental assessment reports and studies pertaining to the Owned Real Property;
- (h) all existing surveys and title insurance policies, reports or commitments pertaining to the Owned Real Property;
- (i) audited statements of income and expenses of the Real Property for the calendar years 2008, 2009, 2010 and, when and if available, 2011, which statements have been certified by an independent Certified Public Accountant as having been prepared in conformity with generally accepted accounting principles consistently applied;
- (j) unaudited statements of income and expenses of the Real Property for calendar year 2011; and
- (k) all essential data, correspondence, documents, agreements, waivers, notices, applications and other records in respect to the Property (including, without limitation, any reports relating to transactions with taxing authorities, governmental agencies, utilities, vendors, tenants, mortgagees, and others with whom Buyer may be dealing subsequent to Closing) for the previous three (3) years.

Up to the Closing Date Seller shall continue to deliver to Buyer all such information obtained by Seller promptly after Seller receives or obtains the same. Documents delivered to Buyer pursuant to this **Section 2.2** shall sometimes be referred to collectively herein as the “**Property Documents**” or individually as a “**Property Document**.”

2.3. Reserved.

2.4. Title Commitment. Within ten (10) days following the execution of this Agreement, (if not previously delivered to Buyer) Seller shall deliver, or instruct a title company acceptable to Buyer (“**Title Company**”) to deliver to Buyer a current commitment for an

extended coverage 2006 ALTA leasehold policy (the “**Title Commitment**”) issued by the Title Company and copies of all documents of record referred to in the Title Commitment as exceptions to title to the Owned Real Property (“**Title Documents**”).

2.5. Title Review. Within the thirty (30) days following the later of the Effective Date or Buyer's receipt of the Title Commitment (“**Title and Survey Review Period**”), Buyer shall review title to the Real Property as disclosed by the Title Commitment and the Survey (collectively, the “**Title Evidence**”). All matters shown in the Title Evidence (if any) that are not objected to by Buyer by delivery of written notice thereof (“**Buyer's Title Objection Notice**”) to Seller not later than the end of the Title and Survey Review Period shall be conclusively deemed to be accepted by Buyer. If Buyer timely delivers to Seller Buyer's Title Objection Notice specifying Buyer's objection to any title exception pertaining to the Real Property shown in the Title Evidence (if any) (each a “**Title Objection**” and collectively the “**Title Objections**”), Seller may, but shall not be obligated to, eliminate or cure (by title endorsement from the Title Company or otherwise) some or all of such Title Objections; provided, however, if Seller is able and willing to eliminate or cure some or all of such Title Objections, Seller shall notify Buyer in writing within ten (10) days after receipt of Buyer's Title Objection Notice (“**Seller's Notice Period**”) of those Title Objections Seller intends to eliminate or cure (said notice hereinafter called “**Seller's Title Notice**”) and in which case the elimination or curing by Seller of the Title Objections specified by Seller for cure or elimination in Seller's Title Notice no later than ten (10) days before the Closing Date. If Seller does not deliver Seller's Title Notice to Buyer within Seller's Notice Period, Buyer is deemed to be notified that Seller is unable or unwilling to eliminate or cure the Title Objections. If Seller (i) does not timely deliver Seller's Title Notice or (ii) notifies or is deemed to have notified Buyer that Seller is unable or unwilling to cure any particular Title Objection, Buyer may, in its sole discretion, waive its title objections in which event such objections shall be deemed Permitted Exceptions (as defined in **Section 2.8**) or terminate this Agreement.

2.6. Delivery of Title Policy at Closing. Seller shall cause the Title Company to issue at Closing, or unconditionally commit at Closing to issue, to Buyer, a 2006 ALTA extended coverage leasehold policy in accordance with the Title Commitment approved by Buyer pursuant to **Section 2.6** above, showing Seller as the fee owner of the Real Property and insuring Buyer's leasehold title to the Real Property in the amount of _____, subject only to the Permitted Exceptions (the “**Title Policy**”). At or prior to the Closing, Seller will cause the Title Policy to provide for: (i) the removal therefrom or endorsement over general exceptions to the Title Policy; (ii) an ALTA Form 3.1 zoning endorsement, with parking; (iii) an access endorsement; (iv) a survey endorsement; (v) a restrictions endorsement, as applicable; and (vi) a tax parcel endorsement providing that any tax parcel pertaining to the Real Property will not include any other real estate except real estate within the Real Property (in the instance of clauses (i) through (vi), in form and content reasonably satisfactory to Buyer and collectively referred to as “**Endorsements**.” If the Title Company is not able to issue at Closing, or unconditionally commit at Closing to issue, the Title Policy with the Endorsements, Buyer shall have the right to terminate this Agreement.

2.7. Survey. Within ten (10) days following the execution of this Agreement, (if not previously delivered to Buyer) Seller shall deliver to Buyer a current as-built survey of the Real Property (“**Survey**”) prepared by a surveyor licensed by the State of Florida and certified to

Buyer, the Title Company, and such other parties as Buyer shall designate. The Survey shall meet the requirements of an ALTA/ASCM survey and otherwise be in form and detail satisfactory to Buyer. Unless otherwise agreed by Buyer, the Survey shall: (i) be currently dated; (ii) show the location on the Real Property of all Improvements, fences, evidences of abandoned fences, lakes, ponds, creeks, streams, rivers, easements, roads, and rights-of-way; (iii) identify all easements and rights-of-way by reference to the recording information applicable to the documents creating such easements or rights-of-way; (iv) show any encroachments onto the Real Property from any adjacent property, any encroachments from the Real Property onto adjacent property, and any encroachments into any easement or restricted area within the Real Property; (v) locate all existing Improvements (such as buildings, power lines, fences, and the like); (vi) locate all dedicated public streets or other roadways providing access to the Real Property, including all curb cuts and all alleys; (vii) locate all set-back lines and similar restrictions covering the Real Property or any part thereof and any violations of such restrictions; and (viii) show thereon a legal description of the boundaries of the Real Property by metes and bounds or other appropriate legal description. The Survey shall contain the surveyor's certification to Buyer, Seller, and the Title Company that (i) the Survey was made on the ground; (ii) there are no visible or recorded easements, discrepancies, conflicts, encroachments, or overlapping of improvements except as shown on the Survey; (iii) the Survey correctly shows all visible or recorded easements or rights of way across the Real Property or any other easements or rights of way of which the surveyor has been advised, including, without limitation, those matters affecting title reflected in the Title Commitment; (iv) the Survey correctly shows the location of all Improvements situated on the Real Property; (v) the Survey conforms to all applicable minimum guidelines for surveys of comparable property as set forth in applicable Laws, regulations, or professional standards; (vi) all streets abutting the Real Property and all means of ingress to and egress from the Real Property have been completed, dedicated, and accepted for public maintenance by the relevant municipal body; (vii) except as shown thereon, the Real Property is not located within the 100 year flood plain or other flood hazard area; (viii) the Survey is a true, correct, and accurate representation of the Real Property; and (ix) such other matters as may be required by the Title Company to allow it to issue the Title Policy.

2.8. Permitted Exceptions. The term “**Permitted Exceptions**” shall mean (i) the specific exceptions listed in the Title Commitment that the Title Company has not agreed to remove from the Title Commitment as of the Closing Date, and as to which Buyer did not object pursuant to **Section 2.5** or has waived its objection; (ii) matters created by, through or under Buyer; (iii) items shown on the Survey that have not been removed as of the Closing Date, as set forth on **Schedule 2.8**; and (iv) real estate taxes not yet due and payable.

2.9. Estoppel Certificates. Seller shall deliver to Buyer estoppel certificates (“**Estoppel Certificates**”), dated no earlier than thirty (30) days prior to the Closing Date, from all of the tenants under the Existing Leases certifying to Buyer: (i) the amount of any security deposit held by Seller; (ii) that no rent or other charge has been prepaid beyond one (1) month; (iii) that Seller is not in default under any provision of the Existing Lease and such tenant has no outstanding claims or rights of setoff thereunder; (iv) that the tenant's occupancy is not affected by any terms not contained in the copy of the Existing Lease which is attached to the estoppel certificate, which copy is a true, correct, and complete copy of the Existing Lease; and (v) such other matters as reasonably requested by Buyer. In the event that Seller is unable to obtain an Estoppel Certificate from any tenant under an Existing Lease as required above, then on or

before the Closing Date Seller shall deliver to Buyer a certification with respect to such tenant and its Existing Lease certifying to Buyer the provisions set forth in (i)-(v) above “**Lease Certification**”).

2.10. Assignment and Assumption of Assumed Leases. At Closing, Seller shall assign and Buyer shall assume all of Seller’s right, title, and interest as lessor under the Assumed Leases pursuant to an assignment and assumption agreement substantially in the form of the Assignment and Assumption Agreement of Assumed Leases attached hereto as **Exhibit D** (the “**Assignment and Assumption of Assumed Leases**”). In connection with execution of the Assignment and Assumption of Assumed Leases, and to the extent listed on **Schedule 8.8**, Seller shall obtain the consent of the lessee under each such Assumed Lease to the assignment of Seller’s interest as lessor under the Assumed Lease to Buyer, the subordination of the Assumed Lease to the Facility Lease, and the release of Seller and its Affiliates of its obligations under such Assumed Lease. Seller shall terminate all Existing Leases not assumed by Buyer, if any, effective prior to the Closing Date. Buyer shall cooperate with Seller in obtaining such consents and releases.

2.11. Permits and Approvals. Seller shall join with Buyer in executing any and all applications for any permits, approvals or licenses necessary or desired for Buyer’s intended use of the Owned Real Property, provided that Buyer shall pay all expenses, including those reasonably incurred by Seller, if any, associated therewith.

3. CLOSING.

3.1. Closing. Subject to the satisfaction or waiver by the appropriate party of all of the conditions precedent to closing specified in **Sections 8** and **9** hereof, the consummation of the transactions contemplated by and described in this Agreement (the “**Closing**”) shall take place on _____, 2012 at 10:00 a.m. at the offices of Harrison Sale McCloy, located at 304 Magnolia Avenue, Panama City, Florida 32401, or at such other location as the parties may agree (the “**Closing Date**”). The Closing Date and the Closing will be deemed to have occurred for all purposes as of 12:01 a.m. Eastern Daylight Time on the Closing Date.

3.2. Deliverables of Seller at Closing. At the Closing and unless otherwise waived in writing by Buyer, Seller shall deliver to Buyer the following:

- (a) The Facility Lease, fully executed by Seller;
- (b) The Assignment, Conveyance and Bill of Sale, substantially in the form attached hereto as Exhibit B (the “**Bill of Sale**”) fully executed by Seller;
- (c) The Assignment and Assumption of Assumed Leases, fully executed by Seller;
- (d) An Assignment and Assumption Agreement substantially in the form attached hereto as **Exhibit E** (the “**Assignment and Assumption Agreement**”), fully executed by Seller;

(e) A License Agreement substantially in the form attached hereto as **Exhibit J** (the “**License Agreement**”), fully executed by Seller;

(f) An Administrative Services Agreement substantially in the form attached hereto as **Exhibit K** (the “**Administrative Services Agreement**”), fully executed by Seller;

(g) The Escrow Agreement (substantially in the form attached hereto as **Exhibit L**), fully executed by Seller;

(h) All instruments and documents required by the Title Company to issue the Title Policy as described in and provided by **Section 2.6** hereof;

(i) Copies of resolutions duly adopted by the Board of Trustees or appropriate governing body of Seller, authorizing and approving its performance of the transactions contemplated hereby and the execution and delivery of this Agreement and the documents described herein, certified as true and of full force as of the Closing, by the appropriate officers of Seller;

(j) Certificates of the President or Vice President of Seller, certifying that each covenant and agreement of Seller to be performed prior to or as of the Closing pursuant to this Agreement has been performed and each representation and warranty of Seller in this Agreement and the Facility Lease are true and correct in all material respects on the Closing Date, as if made on and as of the Closing;

(k) Certificates of incumbency for the respective officers of Seller executing this Agreement or making certifications for the Closing dated as of the Closing Date;

(l) Certificates of existence and good standing of Seller from the State of Florida, dated within the two (2) weeks immediately prior to the Closing Date;

(m) All documents as are necessary to terminate and release all encumbrances, other than the Assumed Liabilities, the Permitted Encumbrances and the Permitted Exceptions, on the Assets to show clear title in Seller, which documents shall be in a form and substance acceptable to Buyer and shall include, without limitation, all documents necessary to terminate the record of any security interest or encumbrance;

(n) Payoff statements from each party holding a lien, mortgage, security interest or lessor’s interest in any Assets, including without limitation, the Owned Real Property, showing the total payment to release such party’s lien, mortgage, security interest or lessor’s interest, as the case may be, as of the Closing Date, with a per diem accrual amount thereafter;

(o) Letters, substantially in the form attached as **Exhibit F**, signed by Seller to all tenants under the Existing Leases assumed by Buyer notifying them of the transfer of the Seller’s interest as lessor under the Existing Leases to Buyer and directing them to remit all rental payments and notices to Buyer or its designee after Closing;

(p) A Closing Statement reflecting the disbursement of the Purchase Price and the application of all adjustments and prorations contemplated by this Agreement, with such Closing Statement to be attached hereto as **Exhibit G** upon Closing (“**Closing Statement**”);

(q) All Property Documents, and any updates thereto, required to be delivered by Seller to Buyer pursuant to Section 2.2;

(r) The Estoppel Certificates for the Existing Leases or in the event Seller is unable to obtain such Estoppel Certificates, the Lease Certifications;

(s) All Certificates of Title and other documents evidencing an ownership interest conveyed as part of the Assets; and

(t) Such other instruments and documents as Buyer reasonably deems necessary to effect the transactions contemplated hereby.

3.3. Deliverables of Buyer at Closing. At the Closing and unless otherwise waived in writing by Seller, Buyer shall deliver to Seller the following:

- (a) An amount equal to the Purchase Price in immediately available funds;
- (b) The Facility Lease, fully executed by Buyer;
- (c) The Assignment and Assumption of Assumed Leases, fully executed by Buyer;
- (d) The Assignment and Assumption Agreement, fully executed by Buyer;
- (e) The License Agreement, fully executed by Buyer;
- (f) The Administrative Services Agreement, fully executed by Buyer;
- (g) The Escrow Agreement, fully executed by Buyer
- (h) Copies of resolutions duly adopted by the Board of Directors (or the governing body) of Buyer, BCHS, SHHS and LHP, authorizing and approving its performance of the transactions required to be performed by it hereunder and the execution and delivery of this Agreement and, to the extent applicable, the documents described herein, certified as true and in full force as of the Closing Date, by the appropriate officers of Buyer;
- (i) Certificates of the President or a Vice President of Buyer, certifying that each covenant and agreement of Buyer to be performed prior to or as of the Closing Date pursuant to this Agreement has been performed and each representation and warranty of Buyer in this Agreement and the Facility Lease is true and correct in all material respects on the Closing Date, as if made on and as of the Closing;

(j) Certificates of incumbency for the respective officers of Buyer, BCHS and each of the Limited Guarantors executing this Agreement or making certifications for the Closing dated as of the Closing Date;

(k) Certificates of existence and good standing of Buyer, BCHS and each of the Limited Guarantors from the state in which each is formed or incorporated, dated within the two (2) weeks immediately prior to the Closing Date;

(l) The Closing Statement, fully executed by Buyer; and

(m) Such other instruments and documents as Seller reasonably deems necessary to effect the transactions contemplated hereby.

4. REPRESENTATIONS AND WARRANTIES OF SELLER. In order to induce Buyer to enter into this Agreement, Seller makes the following representations and warranties, each of which, except as otherwise provided in this Agreement, is true as of the date hereof and, when read in light of any Schedules that have been updated in accordance with the provisions of **Section 12** will be true as of the Closing Date. These representations and warranties are and shall be relied upon by Buyer, regardless of any investigation made by Buyer. For purposes of this Agreement, the terms “**Knowledge of Seller**” or “**Seller’s Knowledge**” means the actual knowledge of Steven Johnson, Dan Morgan, Chris Brooks or [add plant ops name]. Wherever this Section 4 refers to matters previously disclosed by Seller to Buyer, such reference is limited to matters disclosed by Seller in a form and manner acceptable to Buyer.

4.1. Existence and Capacity. Seller is a non-taxable governmental health care provider created as a Florida Independent Special District, is duly organized and validly existing in good standing under the Laws of the State of Florida and is qualified and licensed to do business in every other jurisdiction in which it conducts business or the nature of its business and operations would require qualification as a foreign non-profit corporation. Seller has all requisite power and authority to enter into this Agreement, to perform its obligations hereunder, to own and operate the Owned Real Property and the Assets, to conduct its business as now being conducted, and to obligate any Affiliate of Seller owning any Assets to sell such Assets to Buyer pursuant to the terms and conditions set forth herein.

4.2. Powers; Consents; Absence of Conflicts With Other Agreements, Etc. The execution, delivery, and performance of this Agreement by Seller, and all other agreements referenced herein, or ancillary hereto, to which Seller is a party, and the consummation of the transactions contemplated herein by Seller:

(a) are within its corporate powers, are not in contravention of Law or of the terms of its organizational documents, and have been duly authorized by all appropriate corporate action;

(b) will neither conflict with, nor result in any breach or contravention of, or the creation of any lien, charge, or encumbrance under, any indenture, agreement, lease, instrument, or understanding to which it is a party or by which it is bound;

(c) will not violate any Law to which it or the Assets may be subject; and

(d) will not violate any judgment, decree, writ, or injunction of any court or governmental authority to which it or the Assets may be subject.

4.3. Binding Agreement. This Agreement and all agreements to which Seller will become a party pursuant hereto are and will constitute the valid and legally binding obligations of Seller, and are and will be enforceable against Seller in accordance with the respective terms hereof or thereof.

4.4. Governmental Consents and Approvals. Except as set forth on **Schedule 4.4**, no registration or filing with, or consent or approval of, or other action by, any federal, state or other governmental agency or instrumentality is or will be necessary for the valid execution, delivery and performance of this Agreement by Seller, the transfer of the Assets to Buyer, the Buyer's change of ownership application and other regulatory approvals and licenses to take effect as of the Closing Date, the operation of the Hospital by Buyer after Closing and Buyer's receipt of continued reimbursement for the Hospital without change following the Closing.

4.5. Third Party Consents. Except as set forth on **Schedule 4.5**, no consent, approval or authorization of any non-governmental third party is required in order to consummate the transactions or perform the related covenants and agreements contemplated hereby as of the Closing Date, or to vest full right, title and interest in the Assets free and clear of any lien (other than liens related to Assumed Liabilities) upon Buyer, all without any change in the Assets and all rights therein after Closing (each, a "**Third Party Consent**").

4.6. Financial Statements. Seller has delivered to Buyer copies of the following financial statements of or pertaining to the Hospital and its operations ("**Financial Statements**"), which Financial Statements are maintained on an accrual basis, and copies of which are attached hereto as **Schedule 4.6**:

(a) Unaudited Balance Sheet dated as of _____, 2011 (the "**Balance Sheet Date**");

(b) Unaudited Income Statement for the _____-month period ended on the Balance Sheet Date; and

(c) Audited Balance Sheets, Income Statements, and Statements of Cash Flows for the fiscal years ended _____, 2010, 2009 and 2008.

Such unaudited Financial Statements conform to GASB, except as set forth in **Schedule 4.6**. Such audited Financial Statements have been prepared in accordance with GASB, applied on a consistent basis throughout the periods indicated. Such Balance Sheets present fairly the financial condition of the Hospital as of the dates indicated thereon, and such Income Statements present fairly the results of operations of the Hospital for the periods indicated thereon.

4.7. Certain Post-Balance Sheet Results. Except as previously disclosed by Seller to Buyer, since the Balance Sheet Date there has not been any:

- (a) material damage, destruction, or loss (whether or not covered by insurance) affecting the Hospital or the Assets;
- (b) material adverse change in the condition, financial or otherwise, of the Assets, or in the business of, or the results of operations of, the Hospital;
- (c) threatened employee strike, work stoppage, or labor dispute pertaining to the Hospital;
- (d) sale, assignment, transfer, or disposition of any item of property, plant or equipment included in the Assets having a value in excess of Ten Thousand Dollars (\$10,000) (other than supplies), except in the ordinary course of business with comparable replacement thereof;
- (e) general increase in the compensation payable by Seller to any of its employees or independent contractors outside the ordinary course of business or any increase in, or institution of, any bonus, insurance, pension, profit-sharing, or other employee benefit plan, remuneration, or arrangements made to, for, or with such employees outside the ordinary course of business;
- (f) change in the composition of the medical staff of the Hospital, other than normal turnover occurring in the ordinary course of business;
- (g) change in the rates charged by the Hospital for its services, other than those made in the ordinary course of business;
- (h) adjustment or write-off in accounts receivable or reductions in reserves for accounts receivable outside the ordinary course of business;
- (i) change in the accounting methods or practices employed by Seller or changes in depreciation or amortization policies; or
- (j) transaction pertaining to the Hospital by Seller outside the ordinary course of business.

4.8. Extraordinary Liabilities. Seller has delivered to Buyer an accurate list (**Schedule 4.8**) of all known liabilities of or associated with Seller not included within the Financial Statements, which are of the kind, character and extent required to be disclosed in financial statements prepared in accordance with GASB and which were incurred other than in the ordinary course of business, whether accrued, absolute, contingent or otherwise, together with, in the case of those liabilities as to which the liabilities are not fixed, a reasonable estimate of the maximum amount which may be payable in respect thereof.

4.9. Licenses. The Hospital is duly licensed as a general acute care hospital pursuant to applicable Florida Law. **Schedule 4.9** attached hereto contains a true, correct and complete list and summary description of all material licenses which have been issued to Seller in connection with the Seller's operation of the Hospital and the pharmacy, laboratories and all other ancillary departments located at the Hospital or operated for the benefit of the Hospital that are required to

be licensed (the “**Licenses**”). Each such License is valid and in full force and effect as of the date hereof, no License is subject to any lien, limitation, restriction, probation or other qualification, and there is no default under any such License or any basis for the assertion of any default thereunder. **Schedule 4.9** specifies the holder of each License and, with respect to those Licenses being transferred from Seller to Buyer, whether or not such License is transferable to Buyer. There is no pending or threatened investigation or proceeding that could result in the termination, revocation, limitation, suspension, restriction or impairment of any such License or the imposition of any fine, penalty or other sanctions for violation of any legal or regulatory requirements relating to any such License or, to the best of Seller’s Knowledge, any basis therefor. Seller has, and has had at all relevant times, all Licenses that are or were necessary to enable Seller to be reimbursed for Seller’s operation of the Hospital and all material Licenses necessary for Seller to own the Assets and operate the Hospital.

4.10. Partial Subsidiaries.

(a) **Schedule 4.10** sets forth for each Partial Subsidiary (as defined herein): (i) its name and jurisdiction of incorporation or organization; (ii) the number of authorized shares of each class of its capital stock or other equity or non-equity interests; (iii) the number of issued and outstanding shares of each class of its capital stock or other equity or non-equity interests, the names of the holders thereof, and the number of shares or other equity or non-equity interests held by each such holder; (iv) the number of shares of its capital stock or other equity interests held in treasury; and (v) its directors, officers, general partners, and/or managers, as the case may be.

(b) Each Partial Subsidiary: (i) if it is a for-profit or not-for-profit corporation, is duly incorporated, validly existing, and in good standing under the Laws of the state of its incorporation and is duly qualified and in good standing as a foreign corporation in the jurisdiction of its principal place of business if not incorporated therein; (ii) if it is a limited liability company, is duly organized, validly existing, and, if applicable, in good standing under the Laws of the state of its organization and is duly qualified and, if applicable, in good standing as a foreign limited liability company in the jurisdiction of its principal place of business if not organized therein; and (iii) if it is a partnership, trust, or other entity, is duly formed, validly existing, and, if applicable, in good standing in the jurisdiction of its principal place of business if not formed therein. Each Partial Subsidiary has full corporate, limited liability company, partnership, trust, or other applicable power and authority and all licenses and permits (including authorizations to do business in any applicable state) necessary to carry on the businesses in which it is engaged and in which it presently proposes to engage, and to own and use the properties owned and used by it.

(c) Seller has delivered to Buyer accurate and complete copies, as applicable, of the articles of incorporation, charter, bylaws, operating agreement, partnership agreement, or shareholder or membership agreement, as amended to date, of each Partial Subsidiary. Except as set forth on **Schedule 4.10** hereto, all of the issued and outstanding shares of capital stock or other equity or non-equity interests of each Partial Subsidiary have been duly authorized and are validly issued, fully paid, and nonassessable. None of the Partial Subsidiaries is in default under or in violation of any provision of its articles of incorporation, charter, bylaws, operating agreement, partnership agreement, or shareholder or membership agreement.

(d) Except as set forth on **Schedule 4.10**: (i) there is no outstanding subscription, option, convertible or exchangeable security, preemptive right, warrant, call, or agreement (other than this Agreement) relating to the stock or other equity or non-equity interests of the Partial Subsidiaries or other obligation or commitment of any Partial Subsidiary to issue any shares of capital stock or other equity interests; and (ii) there are no voting trusts or other agreements, arrangements, or understandings applicable to the exercise of voting or any other rights with respect to any shares of Partial Subsidiary stock or other equity or non-equity interests. Seller has good, marketable, and indefeasible title to all shares of the stock or other equity or non-equity interests of the Partial Subsidiaries set forth in **Schedule 4.10** and, except as set forth on **Schedule 4.10**, has the absolute right to sell, assign, transfer, and deliver the same to Buyer, free and clear of all claims, security interests, liens, pledges, charges, escrows, options, proxies, rights of first refusal, preemptive rights, mortgages, hypothecations, prior assignments, title retention agreements, indentures, security agreements, or any other limitation, encumbrance, or restriction of any kind.

(e) The Partial Subsidiaries do not control directly or indirectly or have any direct or indirect equity participation in any corporation, limited liability company, partnership, trust, or other business association.

(f) For purposes of this Agreement, the term “**Partial Subsidiaries**” means any and all corporations, partnerships, and limited liability companies in which Seller or its Affiliates own or hold common stock, partnership interests, or membership interests amounting to less than 100% of the total outstanding common stock, partnership interests, or membership interests of such entity, and which common stock, partnership interests, or membership interests will be assigned by Seller or its Affiliates to Buyer as part of the Assets.

4.11. Medicare Participation/Accreditation. The Hospital is qualified for participation in the Medicare, Medicaid, and CHAMPUS/TRICARE programs, has a current and valid provider agreement with such programs and is in compliance with the applicable conditions of participation for such programs. The Hospital is duly accredited, with no contingencies, by The Joint Commission. A copy of the most recent accreditation letter from The Joint Commission pertaining to the Hospital has been made available to Buyer. All billing practices of Seller with respect to the Hospital to all third party payors, including the Medicare, Medicaid, and CHAMPUS/TRICARE programs and private insurance companies (“**Payment Programs**”), have been in compliance with all Laws and policies of such third party payors and the Medicare, Medicaid, and CHAMPUS/TRICARE programs, and neither Seller nor the Hospital has billed or received any payment or reimbursement in excess of amounts allowed by Law and there are no material sums that should be repaid to, or that are subject to collection or recoupment by any Payment Program due to fraud, misstatements or misrepresentations by Seller or Seller’s employees. Neither Seller nor any of its officers, directors, or managing employees are excluded from participation in the Medicare, Medicaid, or CHAMPUS/TRICARE programs, nor is any such exclusion threatened. Except as set forth on **Schedule 4.11**, Seller has not received any notice from any Payment Programs of any pending or threatened investigations or surveys, and Seller has no reason to believe that any such investigations or surveys are pending, threatened, or imminent. Seller has registered with the QNet Exchange (“**QNet**”) as required by The Centers for Medicare and Medicaid Services (“**CMS**”) under its Hospital Quality Initiative Program (the “**HQI Program**”). Seller has submitted all quality data required under the HQI Program to CMS

or its agent, and all quality data required under the ORYX Core Measure Performance Measurement System (“**ORYX**”) to The Joint Commission, for all calendar quarters concluded prior to the date of this Agreement, except for any quarter for which the respective reporting deadlines have not yet expired. All such submissions of quality data have been made in accordance with applicable reporting deadlines and in the form and manner required by CMS and The Joint Commission, respectively. Seller has not received notice of any reduction in reimbursement under the Medicare program resulting from its failure to report quality data to CMS or its agent as required under the HQI Program. Seller has provided Buyer with the HQI Program “validation results” for all calendar quarters concluded prior to the date of this Agreement, except for any quarter for which the respective reporting deadlines have not yet expired.

4.12. Compliance with Laws.

(a) Seller has previously disclosed to Buyer all claims, statements, and other matters (including, but not limited to, all correspondence or communications with governmental agencies, intermediaries or carriers) for a period of three (3) years preceding the Closing Date concerning or relating to any federal or state government funded health care program that involves, relates to or alleges: (i) any violation of any applicable rule, regulation, policy or requirement of any such program or any irregularity with respect to any activity, practice or policy of Seller or the Hospital; or (ii) any violation of any applicable rule, regulation, policy or requirement of any such program or any irregularity with respect to any claim for payment or reimbursement made by Seller, the Hospital, or any payment or reimbursement paid to Seller or the Hospital. With respect to Seller’s operation of the Hospital, except as previously disclosed by Seller to Buyer, there are no: (i) violations or irregularities nor, to Seller’s Knowledge, are there any grounds to anticipate the commencement of any investigation or inquiry, or (ii) written or, to Seller’s Knowledge, oral, assertions of any claim or demand by any government agency, intermediary or carrier with respect to any of the activities, practices, policies or claims of Seller or the Hospital, or any payments or reimbursements claimed by Seller. Seller is not currently subject to any outstanding audit by any such government agency, intermediary or carrier with respect to Seller’s operation of the Hospital, and, to Seller’s Knowledge, there are no grounds to anticipate any such audit in the foreseeable future.

(b) Seller has not violated, and Seller and the Hospital are in compliance in all material respects with, and at all times since January 1, 2009, have been in compliance in all material respects with, all federal, state, and local statutes, codes, licensing requirements, ordinances, Laws, rules, regulations, decrees or orders of any foreign, federal, state or local government and any other governmental department or agency, and any judgment, decision, decree or order of any court or governmental agency, department or authority (“**Law(s)**”). Seller has heretofore made available to Buyer copies of all material correspondence from and to all governmental authorities since January 1, 2009.

(c) Since January 1, 2009, Seller has not received any notice to the effect that, or otherwise been advised that, it is not in compliance with any Laws. Since January 1, 2009, Seller has not received any written communication of any action pending or, to the Knowledge of Seller, threatened, alleging that Seller or the Hospital is not in compliance with any Law.

(d) Seller has not submitted any claim to any Payment Program in connection with any referrals that violated any applicable self-referral Law, including, without limitation, the Federal Ethics in Patient Referrals Act, 42 U.S.C. § 1395nn (known as the “**Stark Law**”), or any applicable state self-referral Law.

(e) Seller has complied with all disclosure requirements of all applicable self-referral Laws, including, without limitation, the Stark Law and any applicable state self-referral Law.

(f) Neither Seller nor any Affiliate of Seller has knowingly or willfully solicited, received, paid or offered to pay any remuneration, directly or indirectly, overtly or covertly, in cash or kind for the purpose of making or receiving any referral which violated any applicable anti-kickback Law, including, without limitation, the Federal Health Care Program Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b) (known as the “**Anti-Kickback Statute**”), or any applicable state anti-kickback Law.

(g) Seller has not submitted any claim for payment to any Payment Program in violation of any Laws relating to false claim or fraud, including without limitation the Federal False Claim Act, 31 U.S.C. § 3729, or any applicable state false claim or fraud Law.

(h) Seller has complied in all material respects with all applicable security and privacy standards regarding protected health information under the Health Insurance Portability and Accountability Act of 1996 and the implementing regulations at 45 CFR Parts 160 and 164, as amended by the Health Information Technology for Economic and Clinical Health Act (collectively “**HIPAA**”), and all applicable state privacy and security Laws.

(i) Seller has delivered to Buyer copies of all current Medicare or Medicaid survey reports. Except as previously disclosed by Seller to Buyer, there is no Medicare or Medicaid survey in progress at the Hospital and no pending unresolved certification deficiency.

(j) Seller has complied with all applicable requirements of the Occupational Safety and Health Act and all applicable state equivalents, and with all applicable regulations promulgated under any such legislation, and with all orders, judgments, and decrees of any tribunal under such legislation, that apply to the Hospital, the Assets or the Owned Real Property, and, except as previously disclosed by Seller to Buyer, Seller has not received any notice alleging any violation thereof with respect to the Hospital, the Assets or the Owned Real Property.

4.13. Title to Assets. Seller is the sole and exclusive legal and equitable owner of all right, title and interest in, and has good, clear, indefeasible, insurable and marketable title to all the Assets free of all encumbrances except for the Permitted Encumbrances and Permitted Exceptions. “Permitted Encumbrances” means (a) such encumbrances as are set forth on **Schedule 4.13**; (b) encumbrances for Taxes and other governmental charges that are not due and payable; and (c) encumbrances arising in the ordinary course of business after the Closing Date.

4.14. Condition of the Assets. Except as set forth on **Schedule 4.14**, and except for any other defect or condition (i) that is the result of normal wear and tear consistent with the age

and historical use of the property; (ii) that is within Buyer's Knowledge prior to Closing; or (iii) that does not materially interfere with the use for which the property was designed, all buildings, structures, facilities, equipment, and other material items of tangible property and assets included in the Assets are free from material defects and in good operating condition and repair, and are usable in the regular and ordinary course of business, and conform in all material respects to all applicable Laws relating to their use and operation by Seller.

4.15. Equipment. Seller has delivered to Buyer a depreciation schedule as of the Balance Sheet Date (**Schedule 4.15**) that takes into consideration all the equipment associated with, or constituting any part of, the Hospital and the Assets. Since the Balance Sheet Date, Seller has not sold or otherwise disposed of any item of equipment having a value in excess of Ten Thousand Dollars (\$10,000) associated with, or constituting any part of, the Hospital and the Assets.

4.16. Employee Benefit Plans. Except as set forth on **Schedule 4.16** hereto:

(a) Seller does not sponsor or participate in, nor has it, within the last five (5) years, sponsored or participated in any pension, profit-sharing, stock bonus, deferred compensation, or other retirement plans, including any Internal Revenue Code of 1986, as amended (the "Code") Section 403(b) or Section 457 plans; welfare benefit plans including group health, life, disability or similar plans; fringe benefit, cafeteria, flexible benefit, or tuition assistance plans; executive compensation, bonus, or incentive plans; severance plans; vacation, holiday, sick-leave, paid-time-off, or other employee compensation plans, procedures, programs, payroll practices, policies, agreements, commitments, contracts, or understandings; or any annuity contracts, custodial agreements, trusts, or other agreements related thereto (all collectively, the "Benefit Plans"). With respect to such Benefit Plans, Seller has delivered to Buyer accurate and complete copies of the Benefit Plans; insurance contracts or any other funding instruments; governmental rulings; determination, advisory, notification, or opinion letters; contracts with third-party administrators and other independent contractors; and summary plan descriptions, modifications, memoranda, employee handbooks, and other material written communications. All returns, reports, disclosure statements, and premium payments have been timely filed, delivered, or paid, as applicable and as required by applicable Law. For the purposes of this **Section 4.16**, Seller shall refer to Seller and any other entity controlled by Seller.

(b) With respect to such Benefit Plans, Seller does not currently and has not participated in or sponsored, contributed to, or had an obligation to contribute to a multiemployer plan, multiple employer plan, or single employer plan to which at least two or more of the contributing sponsors are not part of the same controlled group; sponsored or participated in any benefit plan that is self-insured or is a self-funded multiple employer welfare arrangement; participated in, engaged in, or been a party to any prohibited transaction; had asserted against it any claim for any excise tax, interest, or penalty; or committed a breach of any responsibilities or obligations imposed upon fiduciaries. Seller does not have any liability under any Benefit Plan for which Buyer has or will have any liability, contingent or otherwise, under Parts I or IV of the Employee Retirement Income Security Act of 1974 ("ERISA"), the Code, or other applicable Law.

(c) Each Benefit Plan that is a pension or other retirement plan and each related trust agreement, annuity contract, or other funding instrument is and has been since its inception qualified and tax-exempt under the provisions of Sections 401(a) and 501(a) of the Code; is and has been since its inception in material compliance with its terms and, both as to form and in operation, with the requirements prescribed by any and all Laws that are applicable to such Benefit Plan; does not have and has not had since its inception any unfunded accrued liability; has not experienced any reportable event; has not had any accumulated funding deficiencies or liquidity shortfalls; does not have any liabilities required to be disclosed that have not been disclosed; and has not been partially or fully terminated, nor has any governmental entity instituted or threatened a proceeding to terminate any such Benefit Plan or to appoint a trustee. Each Benefit Plan that is not a pension or other retirement plan is in material compliance with its terms and, both as to form and operation, with the requirements prescribed by any and all Laws that are applicable to such Benefit Plan.

(d) No Benefit Plan is currently or has been within the last three (3) years under audit, inquiry, or investigation by any governmental entity, and there are no outstanding issues with reference to the Benefit Plans pending before any governmental agency. Other than routine claims for benefits, there are no actions, mediations, audits, arbitrations, suits, claims, or investigations pending or threatened against or with respect to any of the Benefit Plans or their assets, and there are no threatened or pending claims by or on behalf of the Benefit Plans or by any employee of Seller alleging a breach of fiduciary duties or violations of Law nor is there any basis for such claims.

4.17. Litigation or Proceedings. Except as set forth on **Schedule 4.17**, there is no action, suit, litigation, proceeding or investigation pending or, to Seller's Knowledge, threatened by or against Seller in connection with or arising out of such Seller's operation of the Hospital, and Seller has not received any written or, to Seller's Knowledge, oral, claim, complaint, report, threat or notice of any such proceeding or claim in connection with or arising out of Seller's operation of the Hospital, and there is no basis therefor. There are no outstanding orders, writs, judgments, injunctions or decrees of any court, governmental agency or arbitration tribunal against, involving or affecting Seller in any material respect in connection with or arising out of Seller's operation of the Hospital, or Seller's ownership of the Assets, and to Seller's Knowledge, there are no facts or circumstances which would reasonably be expected to result in the institution of any such action, suit, claim or legal, administrative or arbitration proceeding or investigation against, involving or affecting Seller (in connection with or arising out of Seller's operation of the Hospital), Seller's ownership of the Assets or, with respect to Seller, the transactions contemplated hereby. Seller is not in default in any material respect under any order, writ, injunction or decree known to or served upon it from any court or any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign in connection with or arising out of Seller's operation of the Hospital.

4.18. Taxes. Except as set forth on **Schedule 4.18**, since January 1, 2008, (i) Seller has filed all federal, state, and local tax returns required to be filed by it (all of which are true and correct in all material respects) and duly paid or made provision for the payment of all taxes (including any interest or penalties and amounts due state unemployment authorities) that are due and payable to the appropriate tax authorities; (ii) Seller has withheld proper and accurate

amounts from its employees' compensation in compliance with all withholding and similar provisions of the Code, including employee withholding and social security taxes, and any and all other applicable Laws; (iii) no deficiencies for any of such taxes have been asserted or threatened, and no audit on any such returns is currently ongoing or threatened; (iv) there are no outstanding agreements by Seller for the extension of time for the assessment of any such taxes; (v) Seller has not taken and will not take any action in respect of any federal, state, or local taxes (including, without limitation, any withholdings required to be made in respect of employees) that would reasonably be expected to have an adverse impact upon the Hospital or the Assets as of or subsequent to Closing.

4.19. Employee Relations.

(a) Seller has previously disclosed to Buyer all of Seller's employees, together with such person's position, date of hire, current salary, accrued PTO as of the Closing Date, and amount of any other accrued benefits to which such person may be entitled or for which such person has made either written or oral claim to Seller. Seller has paid or made provision for the payment of all accrued benefits and wages for all of Seller's employees through the Closing Date.

(b) Except as previously disclosed by Seller to Buyer, all employees of the Hospital are employees of Seller.

(c) Except as previously disclosed by Seller to Buyer, none of Seller's employees: (i) has an employment agreement with Seller or any Affiliate thereof, whether written or oral; or (ii) has indicated that he or she intends to terminate his or her employment with Seller or to seek a material change in his or her duties or status. All of Seller's employees who are required to be licensed by applicable Law with respect to their duties related to the Hospital are so licensed.

(d) Since January 1, 2009, there is not presently pending or, to Seller's Knowledge, threatened, and no event has occurred or circumstance exists that could provide the basis for any strike, slowdown, picketing, work stoppage, or employee grievance process, or any proceeding against or affecting Seller relating to an alleged violation of any legal requirements pertaining to labor relations, including any charge, complaint, or unfair labor practices claim filed by an employee, union, or other person with the National Labor Relations Board or any comparable governmental body, organizational activity, or other labor dispute against or affecting Seller or its premises. With respect to the employees of Seller, no collective bargaining agreement exists or is currently being negotiated by Seller; no application for certification of a collective bargaining agent is pending; no demand has been made for recognition by a labor organization; no union representation question exists; no union organizing activities are taking place; and none of the employees of Seller is represented by any labor union or organization.

(e) Since January 1, 2009, Seller has complied in all material respects with all legal requirements relating to employment; employment practices; terms and conditions of employment; equal employment opportunity; nondiscrimination; immigration; wages; hours; benefits; payment of employment, social security, and similar taxes; occupational safety and health; and plant closing. Seller is not liable for the payment of any compensation, damages,

taxes, fines, penalties, interest, or other amounts, however designated, for failure to comply with any of the foregoing legal requirements. Except as previously disclosed by Seller to Buyer, there are no pending or, to Seller's Knowledge, threatened claims before the Equal Employment Opportunity Commission (or comparable state agency), complaints before the Occupational Safety and Health Administration (or comparable state agency), wage and hour claims, unemployment compensation claims, workers' compensation claims, or the like.

(f) Seller has provided to Buyer the personnel records of all of Seller's employees and the salary or wage records for such employees including records reflecting sick or extended illness, paid time off, vacation and holiday benefits that are accrued or credited but unused or unpaid. Seller has provided to Buyer copies of each written (and a true and accurate summary of each unwritten) employment, consulting, independent contractor, bonus, or severance agreement to which Seller is a party. Seller has previously disclosed to Buyer a list of all employees who had an "employment loss," as such term is defined in the Worker Adjustment and Retraining Notification Act, as amended (the "**WARN Act**"), within the ninety (90) days preceding the Closing; in relation to the foregoing, Seller has not violated the WARN Act or any similar state or local legal requirements. No officer, director, agent, employee, consultant, or independent contractor of Seller is bound by any contract that purports to limit the ability of such officer, director, agent, employee, consultant, or independent contractor to engage in or continue or perform any conduct, activity, duties, or practice relating to the business of Seller.

4.20. Reserved.

4.21. The Contracts. **Schedule 4.21** contains a list of (a) all Contracts that involve performance of services or delivery of goods or materials by or to Seller in an amount or value in excess of Fifty Thousand Dollars (\$50,000) in any year or have a remaining term, as of the Effective Date, of more than one (1) year; and (b) Contracts with physicians (such Contracts listed on **Schedule 4.21** herein referred to as "**Material Contracts**"). Seller has given Buyer copies of, or has made available to Buyer, all Material Contracts. Seller will give the agents, employees, and representatives of Buyer access to the originals of all Contracts to the extent such originals are in Seller's possession. Seller represents and warrants with respect to the Contracts (including, without limitation, Material Contracts) that:

(a) The Contracts are valid and binding obligations and in full force and effect and have been entered into in the ordinary course of business, consistent with past practice. Seller has not received any notice from any other party to any such Contract of the termination or threatened termination thereof, nor any claim, dispute or controversy thereon, and has no knowledge of the occurrence of any event which would allow any other party to terminate any such Contract, nor has Seller received notice of any asserted claim of default, breach or violation of, any such Contract and there is no basis therefor;

(b) Each Contract constitutes the entire agreement by and between the respective parties thereto with respect to the subject matter thereof;

(c) All obligations required to be performed by Seller under the terms of the Contracts have been performed, no act or omission by Seller has occurred or failed to occur that, with the giving of notice, the lapse of time, or both would constitute a default under the

Contracts, and each of such Contracts is now and will be upon and after the Closing Date in full force and effect without default on the part of Seller. To Seller's knowledge, the counterparties to the Contracts are not in default under the terms thereof, nor has any event occurred that would constitute a default by any such counterparty under any such Contract, nor has Seller received any notice of any such counterparty's default under any such Contract;

(d) Except as expressly set forth on **Schedule 4.21(d)**, none of the Contracts requires consent to the assignment and assumption of such Contract to Buyer, and Seller will use its best efforts to obtain any required consents prior to the Closing;

(e) Seller has not made any prepayments or deposits under any Contract except as set forth on **Schedule 4.21(e)**; and

(f) Except as expressly set forth on **Schedule 4.21(f)**, the assignment of the Contracts to and assumption of such Contracts by Buyer will not result in any penalty or premium, or variation of the rights, remedies, benefits, or obligations of any party thereunder.

4.22. Existing Leases. All Existing Leases are in good standing and are in full force and effect, and no rights or interests of the lessor thereunder have been waived or released. Neither the lessor nor any lessee is in default under any Existing Lease. Seller has no Knowledge of any circumstances affecting the financial condition of any lessee, or otherwise, which would prevent such lessee from fulfilling and complying with the obligations under its Existing Lease.

4.23. Inventory. The Inventory owned by Seller in connection with the operation of the Hospital is substantially of a quality and quantity usable and salable in the ordinary course of business of the Hospital. Obsolete items have been written off as required by GASB. Inventory is properly stated in the Financial Statements in accordance with GASB. The current Inventory levels are based on and consistent with past practices of Seller at the Hospital and such Inventory has not been assigned to others and as of the Closing Date shall be free of all Encumbrances.

4.24. Insurance. Seller has delivered to Buyer an accurate schedule (**Schedule 4.24**) listing the insurance policies covering the ownership and operations of the Hospital and the Assets, which Schedule reflects the policies' numbers, terms, identity of insurers, amounts, and coverage. All of such policies are in full force and effect with no premium arrearage. Seller has given in a timely manner to its insurers all notices required to be given under its insurance policies with respect to all of the claims and actions covered by insurance, and no insurer has denied coverage of any such claims or actions. Seller has not (i) received any notice or other communication from any such insurance company canceling or materially amending any of such insurance policies, and no such cancellation or amendment is threatened or (ii) failed to give any required notice or present any claim that is still outstanding under any of such policies with respect to the Hospital or any of the Assets.

4.25. Third Party Payor Cost Reports. Seller has duly filed all required cost reports for all the fiscal years through and including fiscal year **[2011]**. All of such cost reports accurately reflect the information required to be included thereon and such cost reports do not claim and neither the Hospital nor Seller has received reimbursement in any amount in excess of the amounts provided by Law or any applicable agreement. Seller has previously disclosed to

Buyer which of such cost reports have not been audited and finally settled and a brief description of any and all notices of program reimbursement, proposed or pending audit adjustments, disallowances, appeals of disallowances, and any and all other unresolved claims or disputes in respect of such cost reports. Seller has established adequate reserves to cover any potential reimbursement obligations that Seller may have in respect of any such third party cost reports, and such reserves are set forth in the Financial Statements. Except as set forth on **Schedule 4.25** and to the Knowledge of Seller, there are no facts or circumstance that may reasonably be expected to give rise to any material disallowance under any such cost report.

4.26. Medical Staff Matters. Seller has provided to Buyer true, correct, and complete copies of the bylaws and rules and regulations of the medical staff of the Hospital, as well as a list of all current members of the medical staff. Except as previously disclosed by Seller to Buyer, there are no adverse actions with respect to any medical staff members of the Hospital or any applicant thereto for which a medical staff member or applicant has requested a judicial review hearing that has not been scheduled or has been scheduled but has not been completed, and there are no pending or, to the Knowledge of Seller, threatened disputes with applicants, staff members, or health professional affiliates, and Seller knows of no basis therefor, and all appeal periods in respect of any medical staff member or applicant against whom an adverse action has been taken have expired. Except as previously disclosed by Seller to Buyer, there have been no adverse actions taken against the Hospital's medical staff members or applicants that could result in claims or actions against Seller that are not disclosed in the minutes of the meetings of the Medical Executive Committee of the Medical Staff of the Hospital, which have been provided to Buyer.

4.27. Intellectual Property; Computer Software. **Schedule 4.27** sets forth a list of all issued patents, trade names, assumed business names, registered copyrights, registered trademarks and servicemarks, Internet domain names, and all applications for any of the foregoing ("**Listed Intellectual Property**"), owned, controlled or used by Seller in connection with the Hospital, together in each case with a brief description of the nature of such right. All patents and copyrights owned by Seller and listed in **Schedule 4.27** are valid and in full force and all applications listed therein as pending have been prosecuted in good faith as required by Law and are in good standing. There has been no infringement by Seller or any Affiliate of Seller with respect to any intellectual property rights of others. Seller owns or possesses adequate licenses or other rights to use all Listed Intellectual Property necessary or desirable to operate the Hospital as operated by Seller, none of which rights will be impaired by the consummation of the transactions contemplated by this Agreement, and all of the rights of Seller thereunder will be enforceable by Buyer immediately after Closing without the consent or agreement of any other party. None of Seller's Listed Intellectual Property listed in **Schedule 4.27** is involved in any interference or opposition proceeding, and there has been no written notice received by Seller that any such proceeding will hereafter be commenced. Except as set forth on **Schedule 4.27**, Seller has not granted any person or entity any right to use any of Seller's Listed Intellectual Property for any purpose.

4.28. Accounts Receivable. All accounts receivable constituting a part of the Assets represent and constitute bona fide indebtedness owing to Seller for services actually performed or for goods or supplies actually provided in the amounts indicated on the Financial Statements with no known set-offs, deductions, compromises, or reductions (other than reasonable

allowances for bad debts and contractual allowances in an amount consistent with historical policies and procedures of Seller that are taken into consideration in the preparation of the Financial Statements). Seller has made available to Buyer a complete and accurate aging report of all such accounts receivable and a schedule of all accounts receivable, whether recorded or unrecorded, that have been assigned to collection agencies or are otherwise held or assigned for collection.

4.29. Experimental Procedures. Except as previously disclosed by Seller to Buyer, since January 1, 2007, to Seller's Knowledge, Seller has not performed or permitted the performance of any experimental or research procedures or studies involving patients in the Hospital not authorized and conducted in accordance with the procedures of an Institutional Review Board of the Hospital.

4.30. Compliance Program. Seller has provided to Buyer a copy of its current compliance program materials, including, without limitation, all program descriptions, compliance officer and committee descriptions, ethics and risk area policy materials, training and education materials, auditing and monitoring protocols, reporting mechanisms, disciplinary policies and compliance logs. Except as set previously disclosed by Seller to Buyer, since January 1, 2007, Seller: (a) has not been a party to a Corporate Integrity Agreement with the Office of Inspector General of the Department of Health and Human Services; (b) has no reporting obligations pursuant to any Settlement Agreement entered into with any governmental entity; (c) to the best of Seller's knowledge, has not been the subject of any government payor program investigation conducted by any federal or state enforcement agency; (d) has not been a defendant in any *qui tam*/False Claims Act litigation; and (e) has not been served with or received any search warrant, subpoena, civil investigative demand, contact letter, or telephone or personal contact by or from any federal or state enforcement agency (except in connection with medical services provided to third-parties who may be defendants or the subject of investigation into conduct unrelated to the operation of the healthcare businesses conducted by Seller). Seller has previously disclosed to Buyer a description of each material audit and investigation conducted by Seller pursuant to its compliance program during the last three (3) years. For purposes of this Agreement, the term "**compliance program**" refers to provider programs of the type described in the compliance guidance published by the Office of Inspector General of the Department of Health and Human Services.

4.31. Full Disclosure. The representations and warranties of Seller contained in this Agreement and the Lease, and each exhibit, schedule, certificate or other written statement delivered pursuant to this Agreement or the Lease, or in connection with the transactions contemplated hereby, including, without limitation, Seller's responses to Buyers' due diligence requests (a copy of which is attached hereto as **Exhibit M**) are accurate, correct and complete, and do not contain any untrue statement of material fact.

4.32. Survival of Representations and Warranties. All of the representations and warranties of Seller set forth in this **Section 4** shall survive the Closing and the consummation of the transactions described herein until eighteen (18) months after the Closing Date; provided, however, that the representations and warranties contained in **Sections 4.1, 4.2, 4.3, 4.10, 4.13,** and **4.18** shall survive indefinitely.

5. REPRESENTATIONS AND WARRANTIES OF BUYER. In order to induce Seller to enter into this Agreement, Buyer, BCHS, LHP and SHHS make the following representations and warranties, each of which, except as otherwise provided in this Agreement, is true as of the date hereof and, when read in light of any Schedules that have been updated in accordance with the provisions of **Section 12** will be true as of the Closing Date. These representations and warranties are and shall be relied upon by Seller, regardless of any investigation made by, or information known to, Seller. For purposes of this Agreement, the terms “**Knowledge of Buyer**” or “**Buyer’s Knowledge**” means the actual knowledge of Dan Moen, Jim Shannon or Brady Sturgeon.

5.1. Existence and Capacity. Buyer is a corporation, duly organized and validly existing in good standing under the Laws of the State of Florida. BCHS is a limited liability company, duly organized and validly existing in good standing under the Laws of the State of Delaware. LHP is a corporation, duly organized and validly existing in good standing under the Laws of the State of Delaware. SHHS is a corporation, duly organized and validly existing in good standing under the Laws of the State of Florida. Each of Buyer, BCHS, LHP and SHHS has the requisite power and authority to enter into this Agreement, to perform its respective obligations hereunder, and to conduct its business as now being conducted.

5.2. Powers; Consents; Absence of Conflicts With Other Agreements, Etc. The execution, delivery, and performance of this Agreement by Buyer, BCHS and LHP and all other agreements referenced herein, or ancillary hereto, to which each is a party and the consummation of the transactions contemplated herein by each such party:

(a) are within its corporate powers, are not in contravention of Law or of the terms of its organizational documents, and have been duly authorized by all appropriate corporate action;

(b) except as provided in **Section 7.1** below, do not require any approval or consent of, or filing with, any governmental agency or authority bearing on the validity of this Agreement that is required by Law or the regulations of any such agency or authority;

(c) will neither conflict with, nor result in any breach or contravention of, or the creation of any lien, charge, or encumbrance under, any indenture, agreement, lease, instrument, or understanding to which it is a party or by which it is bound;

(d) will not violate any Law to which it may be subject; and

(e) will not violate any judgment, decree, writ, or injunction of any court or governmental authority to which it may be subject.

5.3. Binding Agreement. This Agreement and all agreements to which Buyer, BCHS, and LHP will become a party pursuant hereto are and will constitute the valid and legally binding obligations of such party and are and will be enforceable against such party in accordance with the respective terms hereof and thereof.

5.4. Sufficient Funds. Buyer and BCHS have sufficient cash, lines of credit or other sources of available funds to enable it to effect the purchase of the Assets.

5.5. Governmental Consents and Approvals. Except as set forth on **Schedule 5.5**, no registration or filing with, or consent or approval of, or other action by, any federal, state or other governmental agency or instrumentality is or will be necessary for the valid execution, delivery and performance of this Agreement by any of the Buyer Parties, the purchase of the Assets from Seller, the Buyer's change of ownership application and other regulatory approvals and licenses to take effect as of the Closing Date, the operation of the Hospital by Buyer after Closing and Buyer's receipt of continued reimbursement for the Hospital without change following the Closing.

5.6. Litigation or Proceedings. Except as set forth on **Schedule 5.6**, there is no action, suit, litigation, proceeding or investigation pending or, to the Knowledge of Buyer, BCHS, or LHP, threatened by or against any such party in connection with this Agreement or the transactions contemplated hereby, and such parties have not received any written or oral claim, complaint, incident, report, threat or notice of any such proceeding or claim in connection with this Agreement or the transactions contemplated hereby, and there is no basis therefor. There are no outstanding orders, writs, judgments, injunctions or decrees of any court, governmental agency or arbitration tribunal against, involving or affecting any such party in connection with this Agreement or the transactions contemplated hereby, and to the Knowledge of such parties, there are no facts or circumstances which may result in the institution of any such action, suit, claim or legal, administrative or arbitration proceeding or investigation against, involving or affecting such parties (in connection with this Agreement or the transactions contemplated hereby). No such party is in default with respect to any order, writ, injunction or decree known to or served upon it from any court or any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, in connection with this Agreement or the transactions contemplated hereby.

5.7. Survival of Representations and Warranties. All of the representations and warranties of Buyer, BCHS, LHP and SHHS set forth in this **Section 5** shall survive the Closing and the consummation of the transactions described herein until eighteen (18) months after the Closing Date; provided, however, that the representations and warranties contained in **Sections 5.1, 5.2, and 5.3** shall survive indefinitely.

6. COVENANTS OF SELLER PRIOR TO CLOSING. Between the date of this Agreement and the Closing:

6.1. Information. Seller shall afford to the officers and authorized representatives and agents (which shall include accountants, attorneys, bankers, and other consultants) of Buyer full and complete access to and the right to inspect the plants, properties, books, and records of Seller and the Hospital, and will furnish Buyer with such additional financial and operating data and other information as to the business and properties of Seller pertaining to the Hospital as Buyer may from time to time reasonably request without regard to where such information may be located. Buyer's right of access and inspection shall be exercised in such a manner as not to interfere unreasonably with the operations of the Hospital. Notwithstanding anything herein, Buyer agrees that no inspections shall take place and no employees or other personnel of the

Hospital shall be contacted by Buyer without Buyer first providing reasonable notice to Seller, Buyer coordinating such inspection or contact with Seller, and Seller expressly granting permission to Buyer, which permission will not be unreasonably withheld, to enter the Hospital for purposes of such inspection or contact.

6.2. Operations. Seller will:

(a) carry on its business pertaining to the Hospital in substantially the same manner as presently conducted and not make any material change in personnel, operations, finance, accounting policies, or real or personal property pertaining to the Hospital;

(b) maintain the Hospital and all parts thereof in good operating condition (ordinary wear and tear excepted), including making all normal and planned capital expenditures;

(c) perform all of its obligations under agreements relating to or affecting the Hospital or the Assets;

(d) keep in full force and effect present insurance policies or other comparable insurance pertaining to the Hospital; and

(e) use its best efforts to maintain and preserve its business organizations intact, retain its present employees at the Hospital and maintain its relationships with physicians, suppliers, customers, and others having business relations with the Hospital.

6.3. Negative Covenants. Seller will not, without the prior written consent of Buyer:

(a) amend or terminate any of the Contracts, enter into any contract or commitment, or incur or agree to incur any liability, except as provided herein or in the ordinary course of business and in no event greater than Ten Thousand Dollars (\$10,000) per item;

(b) enter into any contract or commitment with physicians or other referral sources;

(c) increase compensation payable or to become payable or make any bonus payment to or otherwise enter into one or more bonus agreements with any employee at the Hospital, except in the ordinary course of business in accordance with existing personnel policies;

(d) create, assume, or permit to exist any new debt, mortgage, pledge, or other lien or encumbrance upon any of the Assets, whether now owned or hereafter acquired;

(e) acquire (whether by purchase or lease) or sell, assign, lease, or otherwise transfer or dispose of any property, plant, or equipment except in the normal course of business with comparable replacement thereof;

(f) purchase capital assets or incur costs in respect of construction-in-progress in excess of Fifty Thousand Dollars (\$50,000) in the aggregate;

(g) take any action outside the ordinary course of business of the Hospital or its related ancillary services; or

(h) enter into any agreement that would reasonably be expected to have a material adverse effect on the value of the Hospital or any of the Assets.

6.4. Governmental Approvals. Seller shall: (i) use commercially reasonable efforts to obtain all governmental approvals (or exemptions therefrom) necessary or required to allow Seller to perform its obligations under this Agreement; and (ii) assist and cooperate with Buyer and its representatives and counsel in obtaining all governmental consents, approvals, and licenses that Buyer deems necessary or appropriate and in the preparation of any document or other material that may be required by any governmental agency as a predicate to or as a result of the transactions contemplated herein.

6.5. Additional Financial Information. Within two (2) business days after they are created (but in any event no later than fifteen (15) days following the end of each calendar month prior to Closing), Seller shall deliver to Buyer true and complete copies of the unaudited balance sheets and the related unaudited statements of income (collectively, the “**Interim Statements**”) of, or relating to, the Hospital for each month then ended, together with a year-to-date compilation and the notes, if any, related thereto, which presentation shall be true, correct, and complete in all material respects, shall have been prepared from and in accordance with the books and records of Seller, and shall fairly present the financial position and results of operations of the Hospital as of the date and for the period indicated, all in accordance with GASB consistently applied, except that such financial statements need not include required footnote disclosures.

6.6. No-Shop Clause. Until such time as this Agreement has been terminated, Seller will not, without the prior written consent of Buyer or except as otherwise permitted by this Agreement: (i) offer for sale or lease all or any material portion of the Assets or the Owned Real Property or any ownership interest in any entity owning any of the Assets or Owned Real Property; (ii) solicit offers to buy all or any material portion of the Assets or the Owned Real Property or any ownership interest in any entity owning any of the Assets; (iii) initiate discussions or provide any documents or information to any third party in connection with, discuss, or negotiate with any person regarding any inquiries, proposals, or offers relating to any disposition of all or any material portion of the Assets or Owned Real Property or a merger or consolidation of any entity owning any of the Assets or Owned Real Property; or (iv) enter into any agreement or discussions with any party (other than Buyer) with respect to the sale, assignment, or other disposition of all or any material portion of the Assets or Owned Real Property or any ownership interest in any entity owning any of the Assets or Owned Real Property or with respect to a merger or consolidation of any entity owning any of the Assets or Owned Real Property. Seller will promptly notify Buyer of any inquiry or proposal concerning any such information.

6.7. Insurance Ratings. Seller will take all action reasonably requested by Buyer to enable Buyer to succeed to the Workers’ Compensation and Unemployment Insurance ratings and other ratings for insurance or other purposes established by Seller for the Hospital. Buyer shall not be obligated to succeed to any such ratings, except as it may elect to do so.

6.8. Tail Insurance. Seller shall purchase extended reporting endorsement policies for general liability insurance from its current liability insurance carriers at its expense. Seller shall continue to cover medical malpractice risk for incidents that arose prior to the Closing through the Seller's self-insurance trust fund or other policies, as determined by the Seller in its discretion.

6.9. Best Efforts. Seller shall use its best efforts to cause the conditions in **Section 8** to be satisfied.

7. COVENANTS OF BUYER PRIOR TO CLOSING. Between the date of this Agreement and the Closing:

7.1. Governmental Approvals. Buyer shall: (i) use commercially reasonable efforts to obtain all governmental approvals (or exemptions therefrom) necessary or required to allow Buyer to perform its obligations under this Agreement; and (ii) assist and cooperate with Seller and its representatives and counsel in obtaining all governmental consents, approvals, and licenses that Seller deems necessary or appropriate and in the preparation of any document or other material that may be required by any governmental agency as a predicate to or as a result of the transactions contemplated herein.

7.2. Best Efforts. Buyer shall use its best efforts to cause the conditions in **Section 9** to be satisfied.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER. Notwithstanding anything herein to the contrary, the obligations of Buyer to consummate the transactions described herein are subject to the fulfillment, on or prior to the Closing Date, of the following conditions precedent unless (but only to the extent) waived in writing by Buyer at the Closing:

8.1. Representations/Warranties. The representations and warranties of Seller contained in this Agreement and the Facility Lease shall be true in all material respects when made and, when read in light of any Schedules that have been updated in accordance with the provisions of **Section 12** hereof, as of the Closing Date as though such representations and warranties had been made on and as of such Closing Date. Each and all of the terms, covenants, and conditions of this Agreement to be complied with or performed by Seller on or before the Closing Date pursuant to the terms hereof shall have been duly complied with and performed.

8.2. Pre-Closing Confirmations. Buyer shall have obtained documentation or other evidence satisfactory to Buyer in its reasonable discretion that Buyer has:

(a) Received approval from all government entities whose approval is required to complete the transactions herein contemplated;

(b) Received written confirmation from all applicable licensure agencies that upon the Closing all licenses required by Law to operate the Hospital as currently operated will be transferred to, or issued or reissued in the name of, Buyer;

(c) Obtained reasonable assurances that Medicare and Medicaid certification of the Hospital for its operation by Buyer will be effective as of the Closing and that Buyer may participate in and receive reimbursement from such programs effective as of the Closing; and

(d) Obtained such other consents and approvals as may be legally or contractually required for the consummation of the transactions described herein.

8.3. Property Documents. Buyer shall have received from Seller, or shall have been given access to, the Property Documents.

8.4. Title Policy. At the Closing, Seller shall cause the Title Policy (or marked Title Commitment containing no additional exceptions to title to the Owned Real Property) to be furnished to Buyer by the Title Company

8.5. Actions/Proceedings. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the transactions herein contemplated.

8.6. Adverse Change. No material adverse change in the results of operations, financial condition or business of the Hospital shall have occurred.

8.7. Insolvency. Seller shall not: (i) be in receivership or dissolution; (ii) have made any assignment for the benefit of creditors; (iii) have admitted in writing its inability to pay its debts as they mature; (iv) have been adjudicated a bankrupt; or (v) have filed a petition in voluntary bankruptcy, a petition or answer seeking reorganization, or an arrangement with creditors under the federal bankruptcy Law or any other similar Law or statute of the United States or any state, nor shall any such petition have been filed against Seller.

8.8. Consents to Assignments. The Third Party Consents relating to the assignment of those certain Contracts set forth on **Schedule 8.8** (each, a “**Material Consent**”) shall have been obtained and shall be in full force and effect. In connection with the assignment of the Contracts to Buyer, Seller will cooperate with Buyer to provide the vendors under the Contracts being assigned to Buyer with written notice of the transaction and assignment of the Contracts to Buyer.

8.9. Closing Deliveries. Seller shall have made the deliveries required to be made by it under **Section 3.2** hereof.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER. Notwithstanding anything herein to the contrary, the obligations of Seller to consummate the transactions described herein are subject to the fulfillment, on or prior to the Closing Date, of the following conditions precedent unless (but only to the extent) waived in writing by Seller at the Closing:

9.1. Representations/Warranties. The representations and warranties of Buyer contained in this Agreement shall be true when made and, when read in light of any Schedules that have been updated in accordance with the provisions of **Section 12** hereof, as of the Closing Date as though such representations and warranties had been made on and as of such Closing Date. Each and all of the terms, covenants, and conditions of this Agreement to be complied with

or performed by Buyer on or before the Closing Date pursuant to the terms hereof shall have been duly complied with and performed.

9.2. Governmental Approvals. All material consents, authorizations, orders, and approvals of (or filings or registrations with) any government entity or other party required in connection with the execution, delivery, and performance of this Agreement shall have been obtained or made by Buyer when so required, except for any documents required to be filed, or consents, authorizations, orders, or approvals required to be issued, after the Closing Date.

9.3. Actions/Proceedings. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the transactions herein contemplated.

9.4. Insolvency. Neither Buyer, BCHS, nor either of the Limited Guarantors shall (i) be in receivership or dissolution; (ii) have made any assignment for the benefit of creditors; (iii) have admitted in writing its inability to pay its debts as they mature; (iv) have been adjudicated a bankrupt; or (v) have filed a petition in voluntary bankruptcy, a petition or answer seeking reorganization, or an arrangement with creditors under the federal bankruptcy Law or any other similar Law or statute of the United States or any state, nor shall any such petition have been filed against Buyer.

9.5. Contract Releases. Full releases of Seller and Seller's Affiliates from all of their respective obligations under the Contracts set forth on **Schedule 9.5** shall have been obtained and shall be in full force and effect.

9.6. Closing Deliveries. Buyer shall have made the deliveries required to be made by it under **Section 3.3** hereof.

10. ADDITIONAL AGREEMENTS.

10.1. Allocation of Purchase Price. Buyer and Seller acknowledge and agree that the Purchase Price shall be allocated in accordance with **Schedule 10.1** hereto. Buyer and Seller agree to report the transactions contemplated by this Agreement for federal and state income tax purposes in accordance with such allocation. The parties shall execute all forms required to be filed for tax purposes with any taxing authority in a manner consistent with the allocation on **Schedule 10.1** hereto.

10.2. Termination Prior to Closing. Notwithstanding anything herein to the contrary, this Agreement may be terminated at any time: (i) on or prior to the Closing Date by mutual consent of Seller and Buyer; (ii) by Buyer by written notice to Seller if any event occurs or condition exists that has or will cause Seller to be unable to satisfy one or more conditions to the obligations of Buyer to consummate the transactions contemplated by this Agreement as set forth in **Section 8**; (iii) by Seller by written notice to Buyer if any event occurs or condition exists that has or will cause Buyer to be unable to satisfy one or more conditions to the obligations of Seller to consummate the transactions contemplated by this Agreement as set forth in **Section 9**; (iv) by Buyer or Seller if the Closing Date shall not have taken place on or before _____,

2012 (which date may be extended by mutual agreement of Buyer and Seller); or (v) by either Seller or Buyer pursuant to **Section 12** hereof.

10.3. Post Closing Access to Information. Seller and Buyer acknowledge that subsequent to Closing each party may need access to information or documents in the control or possession of the other party for the purposes of concluding the transactions herein contemplated, audits, compliance with governmental requirements and regulations, and the prosecution or defense of third party claims. Accordingly, Seller and Buyer agree that for a period of six (6) years after Closing each will make reasonably available to the other's agents, independent auditors, counsel, and/or governmental agencies upon written request and at the expense of the requesting party such documents and information as may be available relating to the Hospital for periods prior and subsequent to Closing to the extent necessary to facilitate concluding the transactions herein contemplated, audits, compliance with governmental requirements and regulations, and the prosecution or defense of claims.

10.4. Preservation and Access to Records After the Closing. After the Closing, Buyer shall, in the ordinary course of business and as required by Law, keep and preserve in their original form all medical and other records of the Hospital existing as of the Closing, and that constitute a part of the Assets delivered to Buyer at the Closing. For purposes of this Agreement, the term "**records**" includes all documents, electronic data, and other compilations of information in any form. Buyer acknowledges that as a result of entering into this Agreement and operating the Hospital it will gain access to patient and other information that is subject to rules and regulations regarding confidentiality. Buyer agrees to abide by any such rules and regulations relating to the confidential information it acquires. Buyer agrees to maintain the patient records delivered to Buyer at the Closing at the Hospital after Closing in accordance with applicable Law (including, if applicable, Section 1861(v)(i)(I) of the Social Security Act (42 U.S.C. §1395(v)(l)(i)), the privacy requirements of the administrative simplification subtitle of HIPAA and applicable state requirements with respect to medical privacy and requirements of relevant insurance carriers, all in a manner consistent with the maintenance of patient records generated at the Hospital after Closing. Upon reasonable notice, during normal business hours, at the sole cost and expense of Seller and upon Buyer's receipt of any required consents and authorizations, Buyer will afford to the representatives of Seller, including its counsel and accountants, full and complete access to, and copies of, the records transferred to Buyer at the Closing (including, without limitation, access to patient records in respect of patients treated by Seller at the Hospital). Upon reasonable notice, during normal business hours, at the sole cost and expense of Seller, and upon Buyer's receipt of appropriate consents and authorizations, Buyer shall also make its officers and employees available to Seller at reasonable times and places after the Closing to the extent reasonably necessary to facilitate Seller's access to such patient records. In addition, Seller shall be entitled, at Seller's sole risk, to remove from the Hospital copies of any such patient records, but only for purposes of pending litigation involving a patient to whom such records refer, as certified in writing prior to removal by counsel retained by Seller in connection with such litigation and only upon Buyer's receipt of appropriate consents and authorizations. Any patient record so removed from the Hospital shall be promptly returned to Buyer following its use by Seller. Any access to the Hospital, its records or Buyer's personnel granted to Seller in this Agreement shall be upon the condition that any such access not materially interfere with the business operations of Buyer.

10.5. CON Disclaimer. This Agreement shall not be deemed to be an acquisition or obligation of a capital expenditure of funds within the meaning of the certificate of need statute of any state, until the appropriate governmental agencies shall have granted a certificate of need or the appropriate approval or ruled that no certificate of need or other approval is required.

10.6. Tax and Medicare Effect. None of the parties (nor such parties' counsel or accountants) has made or is making any representations to any other party (nor such party's counsel or accountants) concerning any of the tax or Medicare effects of the transactions provided for in this Agreement, as each party hereto represents that each has obtained, or may obtain, independent tax and Medicare advice with respect thereto and upon which it, if so obtained, has solely relied.

10.7. Reproduction of Documents. This Agreement and all documents relating hereto, including, without limitation: (a) consents, waivers, and modifications that may hereafter be executed; (b) the documents delivered at the Closing; and (c) financial statements, certificates, and other information previously or hereafter furnished to Seller or to Buyer, may, subject to the provisions of **Section 12.9** hereof, be reproduced by Seller and by Buyer by any photographic, photostatic, microfilm, micro-card, miniature photographic, or other similar process and Seller and Buyer may destroy any original documents so reproduced. Seller and Buyer agree and stipulate that any such reproduction shall be admissible in evidence as the original itself in any judicial, arbitral, or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by the Seller or Buyer in the regular course of business) and that any enlargement, facsimile, or further reproduction of such reproduction shall likewise be admissible in evidence.

10.8. Cooperation on Tax Matters. Following the Closing, the parties shall cooperate fully with each other and shall make available to the other, as reasonably requested and at the expense of the requesting party, and to any taxing authority, all information, records, or documents relating to tax liabilities or potential tax liabilities of Seller for all periods on or prior to the Closing and any information that may be relevant to determining the amount payable under this Agreement, and shall preserve all such information, records, and documents (to the extent a part of the Assets delivered to Buyer at Closing) at least until the expiration of any applicable statute of limitations or extensions thereof.

10.9. Cost Reports. Seller, at its expense, shall prepare and timely file all terminating and other cost reports required or permitted by Law to be filed under the Medicare and Medicaid or other third party payor programs and the State Health Agency for periods ending on or prior to the Closing Date, or as a result of the consummation of the transactions described herein ("**Seller Cost Reports**"). Following the Closing, Buyer shall make available to Seller, as reasonably requested and at the expense of Seller, all information, records, or documents (to the extent a part of the Assets delivered to Buyer at Closing) and personnel and staff of Buyer, subject to the Administrative Services Agreement, necessary for Seller to prepare the Seller Cost Reports. Buyer shall forward to Seller any and all correspondence relating to the Seller Cost Reports within five (5) business days after receipt by Buyer. Buyer shall remit any receipts of funds relating to the Seller Cost Reports within ten (10) business days after receipt by Buyer and shall forward to Seller any demand for payments within three (3) business days after receipt by Buyer. Seller shall retain all rights to the Seller Cost Reports including any amounts receivable or

payable in respect of such reports or reserves relating to such reports. Such rights shall include the right to appeal any Medicare or Medicaid determinations relating to the Seller Cost Reports. Seller shall retain the originals of the Seller Cost Reports, correspondence, work papers, and other documents relating to the Seller Cost Reports. Seller will furnish copies of such cost reports, correspondence, work papers, and other documents to Buyer upon request.

10.10. Misdirected Payments, Etc. Seller and Buyer covenant and agree to remit, with reasonable promptness, to the other any payments received, which payments are on or in respect of accounts or notes receivable owned by (or are otherwise payable to) the other. In addition, and without limitation, in the event of a determination by any governmental or third-party payor that payments to the Seller or the Hospital resulted in an overpayment or other determination that funds previously paid by any program or plan to the Seller or the Hospital must be repaid, Seller shall be responsible for repayment of said monies (or defense of such actions) if such overpayment or other repayment determination was for services rendered prior to the Closing Date and Buyer shall be responsible for repayment of said monies (or defense of such actions) if such overpayment or other repayment determination was for services rendered after the Closing Date. In the event that, following Closing, Buyer suffers any offsets against reimbursement under any third-party payor or reimbursement programs due to Buyer, relating to amounts owing under any such programs by Seller or any of its Affiliates, Seller shall immediately upon demand from Buyer pay to Buyer the amounts so billed or offset.

10.11. Employee Matters.

(a) As of the Closing Date, Seller shall terminate all of its employees at the Hospital and, subject to customary screening procedures such as those relating to licensing and health care regulatory matters, LHP or an Affiliate thereof shall hire all active employees in good standing at the Hospital commencing as of the Closing Date (the “**Hired Employees**”) in their current positions and at compensation levels consistent with those being provided by Seller immediately prior to the Closing Date. For purposes of this subsection, “active” employees shall include: (i) employees who are on maternity or paternity leave and are entitled to reemployment rights under applicable state Law; (ii) employees who are on leave pursuant to the Family and Medical Leave Act and are entitled to reemployment rights under such Law; (iii) employees who are on leave due to service in the uniformed services pursuant to the Uniform Services Employment and Reemployment Rights Act of 1994, as amended, and are entitled to reemployment rights under such Law; and (iv) employees on extended illness leaves who are entitled to reemployment under Seller’s existing policies. Nothing herein shall be deemed to affect or limit in any way normal management prerogatives of LHP or its Affiliate with respect to employees or to create or grant to any such employees third party beneficiary rights or claims of any kind or nature, or alter any employment-at-will relationship between LHP or its Affiliate and the employees. Within the look behind period defined in 20 CFR §639(a)(1)(ii) before Closing Seller shall not, and within the look ahead period defined in 20 CFR §639(a)(1)(ii) following the Closing, LHP or its Affiliate shall not: (i) permanently or temporarily shut down a single site of employment, or one or more facilities or operating units within a single site of employment, if the shutdown results in an employment loss during any thirty (30) day period at the single site of employment for fifty (50) or more employees, excluding any part-time employees; or (ii) have a mass layoff at a single site of employment of at least thirty-three percent (33%) of the active employees and at least fifty (50) employees, excluding part-time

employees. The terms “single site of employment,” “operating unit,” “employment loss,” and “mass layoff” shall be defined as in the WARN Act. With respect to terminations of employees following the Closing, LHP or its Affiliate shall be responsible for any notification required under the WARN Act. In respect of the employees employed by LHP or its Affiliate, it shall provide such employees with employee benefits consistent with the benefits generally offered to hospital employees of LHP and its Affiliates and shall honor prior length of service for purposes of determining eligibility and vesting and the rate of benefit accrual (but not actual benefit accrual) in its benefit plans; provided, however, that no such prior service credit need be given in respect of any new plan commenced or participated in by LHP or its Affiliate in which no prior service credit is given to or recognized for other plan beneficiaries. In extending such benefits, LHP or its Affiliate shall waive pre-existing condition limitations in its welfare benefit plans that might otherwise apply to such employees except to the extent employees have not satisfied such limitations under the current welfare benefit plans of Seller and only to the extent permitted under the terms of the applicable plans and/or insurance contracts of LHP or its Affiliate. LHP or its Affiliate shall give all Hired Employees credit for their years of service with Seller for the purpose of determining benefits under its vacation, sick pay, and other paid time off benefits programs. In the event that LHP or its Affiliate terminates any Hired Employee prior to the first (1st) anniversary of the Closing Date, LHP or such Affiliate will provide to such employee a severance payment in an amount determined with reference to the financial terms and conditions of the severance policy generally applicable to employees of Seller as of the Closing Date.

(b) LHP or its Affiliate shall give credit to all Hired Employees for their actual accumulated and unused paid time off and vacation pay, to the extent included in the calculation of Net Working Capital. LHP or its Affiliate shall also give credit to all Hired Employees for their actual and unused sick leave or extended illness hours on the books of Seller as of the Closing, up to a maximum of ___ hours per employee. Such amounts shall not otherwise be subject to reduction, offset, or any other limitation under the paid time off, vacation, sick leave, or extended illness benefits policies and procedures of LHP or its Affiliate.

(c) LHP or its Affiliate will credit each Hired Employee and their eligible dependents under the employee welfare benefit plans used to provide benefits to the Hired Employees with any deductibles, co-payments, or other cost-sharing amounts attributable to the Hired Employee or eligible dependent under Seller’s employee welfare benefit plans, as the case may be, following receipt of reasonable evidence of any such deductibles, co-payments, and/or other cost-sharing amounts. Seller shall provide to LHP, within seventy five (75) days after Closing, the amount of such deductibles, co-payments, or other cost-sharing amounts in such electronic or other format as reasonably required by LHP.

10.12. Hospital Name. Following the Closing, and as long as Buyer or BCHS is a party to the Facility Lease, as lessee, Buyer shall continue to use the Bay Medical Center name and identity in connection with the operation of the Hospital. In addition to the foregoing, as long as SHHS, or an Affiliate of SHHS, owns any interest in Buyer or BCHS, the Sacred Heart Health System name shall also be used in connection with the operation of the Hospital.

10.13. Use of Controlled Substance Permits. To the extent permitted by applicable Law, Buyer shall have the right, for a period not to exceed one hundred twenty (120) days following the Closing Date, to operate under the licenses and registrations of Seller relating to

controlled substances and the operations of pharmacies and laboratories, until Buyer is able to obtain such licenses and registrations for itself. In furtherance thereof, Seller shall execute and deliver to Buyer at or prior to the Closing a limited power of attorney substantially in the form of **Exhibit G** hereto.

10.14. Quality Reporting and Quality Programs. Seller shall submit all quality data required under the HQI Program to CMS or its agent, and all quality data required under ORYX to The Joint Commission, for any calendar quarter with reporting deadlines between the date of this Agreement and the Closing Date. If a calendar quarter ends prior to the Closing Date, but the reporting deadline for such quarter ends after the Closing Date, Seller shall prepare and submit the quality data for the Hospital required under the HQI Program and ORYX in accordance with applicable filing deadlines and in the form and manner required by CMS and The Joint Commission, respectively, or, at the sole option of Buyer, Seller shall transmit such quality data to Buyer in a form mutually agreeable to Buyer and Seller or allow Buyer access to such data, to enable Buyer to submit quality data for the Hospital required under the HQI Program and ORYX for such quarter. If the Closing Date falls between the first and last day of a calendar quarter, Seller shall cooperate with Buyer to ensure that all quality data required to be submitted for the Hospital under the HQI Program and ORYX for the portion of the quarter during which Seller owned the Hospital can be aggregated with the quality data for the portion of the quarter during which Buyer owned the Hospital, to enable Buyer and/or Seller to submit quality data for the Hospital required under the HQI Program and ORYX in accordance with applicable filing deadlines and in the form and manner required by CMS and The Joint Commission, respectively. Following the Closing, Buyer shall use its commercially reasonable efforts to provide the Hospital with appropriate access to the quality and patient safety programs available to other hospitals owned by SHHS and its Affiliates.

10.15. Medical Staff Matters. Without the consent of the medical staff of the Hospital, there will be no change or modification to the current staff privileges for physicians on the medical staff of the Hospital or the individuals currently serving as medical staff officers or clinical service chiefs as a result of the acquisition of the Assets by Buyer; provided, however, that the consummation of the transactions contemplated hereby will not limit the ability of the Hospital to grant, withhold, or suspend medical staff appointments or clinical privileges, or appoint medical staff officers or clinical service chiefs, in accordance with the terms and provisions of the medical staff bylaws. Buyer shall adopt the current medical staff bylaws, rules and regulations, medical staff committee structure, credentialing plan, and fair hearing plan of the Hospital as the medical staff bylaws, rules and regulations, medical staff committee structure, credentialing plan, and fair hearing plan of the Hospital following the Closing, except to the extent that any modifications thereof are required to comply with The Joint Commission or other accreditation standards or legal or regulatory requirements, and except to the extent that modifications thereto may be proposed to or by the medical staff and agreed to by Buyer and the medical staff.

10.16. CHOW Filing. Buyer and each Seller shall file with CMS documentation notifying same of a change of ownership of the Hospital effective as of the Closing Date. The parties acknowledge that Buyer will, on behalf of Buyer and Seller, package and submit said change of owner documentation to CMS and contemporaneously provide complete copies of such submissions to Seller. In addition, Seller shall cooperate with Buyer to take all actions

deemed necessary by Buyer to effectuate the automatic assignment of Seller's Medicare provider number to Buyer; provided, however, that the actual transfer or reissuance of the Medicare provider numbers prior to or on the Closing Date shall not be a condition to Closing. Seller shall also cooperate with Buyer to take all actions deemed necessary by Buyer to cause applicable governmental authorities to issue a new Medicaid provider number or effectuate the automatic assignment of Seller's Medicaid provider to Buyer; provided, however, that the actual issuance of the Medicaid provider numbers prior to or on the Closing Date shall not be a condition to Closing.

10.17. Payment of Sales Taxes. Buyer covenants and agrees to pay any and all sales, use or other transfer taxes payable by reason of the transfer and conveyance of the Assets hereunder. The parties will prepare and deliver and if necessary file at or before Closing all transfer tax returns and other filings necessary to vest in Buyer full right, title and interest in the Assets.

10.18. Non-Assignable Contracts. To the extent that any Third Party Consents, other than the Material Consents, have not been obtained by Seller as of the Closing for any reason, Seller shall, during the remaining term of such Contract (the "**Non-Assignable Contracts**"), use all commercially available efforts to (a) obtain the consent of the applicable third party or parties thereto, (b) make the benefit of such Non-Assignable Contracts available to Buyer, and (c) enforce at the request of Buyer and at the expense and for the account of Buyer, any rights of Seller arising from such Non-Assignable Contracts against the other party or parties thereto (including the right to elect to terminate any such Non-Assignable Contract in accordance with the terms thereof). Anything contained herein to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any Non-Assignable Contract or any other claim, right, contract, license, lease, commitment, sales order, or purchase order if an attempted assignment thereof without the consent of the other party thereto would constitute a breach thereof or in any material way affect the rights of Seller thereunder, unless such consent is obtained. Seller will not take any action or suffer any omission that would limit, restrict or terminate in any material respect the benefits to Buyer of such Non-Assignable Contracts unless, in good faith and after consultation with and prior written notice to Buyer, Seller is ordered orally or in writing to do so by a governmental authority of competent jurisdiction or Seller is otherwise required to do so by Law; provided, however, that if any such order is appealable, Seller will, at the expense and for the account of Buyer, take such actions as are requested by Buyer to file and pursue such appeal and to obtain a stay of such order. With respect to any Non-Assignable Contract as to which the necessary approval or consent for the assignment or transfer to Buyer is obtained following the Closing, Seller shall transfer such Non-Assignable Contract to Buyer by execution and delivery of an instrument of assignment reasonably satisfactory to Buyer within three (3) business days following receipt of such approval or consent.

10.19. Limited Guarantors' Guaranty. Each Limited Guarantor hereby absolutely, unconditionally and irrevocably guarantees to Seller, severally and not jointly, each as a primary obligor and not merely as a surety, the full and prompt payment of the Purchase Price due pursuant to **Section 3.3(a)** of this Agreement, in accordance with each Limited Guarantor's ownership interest in BCHS. Once the Purchase Price payable under **Section 3.3(a)** has been paid to Seller: (i) the obligations of the Limited Guarantors under this Agreement are fully performed and discharged; (ii) the Limited Guarantors shall have no further obligations under

this Agreement; and (iii) the Limited Guarantors shall, for all purposes, be deemed not to be parties to this Agreement.

11. INDEMNIFICATION.

11.1. Indemnification by Buyer. Subject to the limitations set forth in **Section 11.4** hereof, Buyer shall defend, indemnify, and hold harmless Seller and its Affiliates, and its and their respective officers, employees, agents, or independent contractors (collectively, “**Seller Indemnified Parties**”), 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 attorneys’ fees and fees of expert consultants and witnesses) (collectively, “**Losses**”) that such Seller Indemnified Party incurs as a result of, or with respect to: (i) any misrepresentation or breach of warranty by Buyer under this Agreement; (ii) any breach by Buyer of, or any unexcused failure by Buyer to perform, any covenant or agreement of, or required to be performed by, Buyer under this Agreement; (iii) any claim with respect to any of the Assumed Liabilities; or (iv) any claim with respect to the operation of the Hospital following the Closing Date.

11.2. Indemnification by Seller. Subject to the limitations set forth in **Section 11.4** hereof, Seller shall defend, indemnify, and hold harmless Buyer and its Affiliates, and its and their respective officers, employees, members, agents, or independent contractors (collectively, “**Buyer Indemnified Parties**”), from and against any and all Losses that such Buyer Indemnified Party incurs as a result of, or with respect to: (i) any misrepresentation or breach of warranty by Seller under this Agreement; (ii) any breach by Seller of, or any unexcused failure by Seller to perform, any covenant or agreement of, or required to be performed by, Seller under this Agreement; (iii) any of the Excluded Liabilities; or (iv) any claim with respect to the operation of the Hospital prior to the Closing Date. Seller's indemnification obligations under subsection (iv) shall include the following: (y) any claims arising from Seller’s assignment and Buyer’s assumption of the Assumed Liabilities; and (z) uncured defaults in the performance of the Assumed Liabilities for periods prior to the Closing. Nothing contained herein shall constitute a waiver of the sovereign immunity of Seller.

11.3. Duration of Indemnification Obligations. The indemnification obligations of the parties shall survive as follows:

(a) Obligations arising under Sections 11.1(iii) or (iv) or 11.2(iii) or (iv) shall survive indefinitely;

(b) Obligations arising under Sections 11.1(ii) or 11.2(ii) shall survive for a period of eighteen (18) months after the Closing Date.

(c) Obligations arising under Sections 11.1(i) or 11.2(i) shall survive as follows: (i) if based upon a breach of Sections 4.1, 4.2, 4.3, 4.10, 4.13, 4.18, 5.1, 5.2, or 5.3, indefinitely; (ii) if based on a breach of Sections 4.11, 4.12, 4.21, 4.25, 4.30 and 4.31, six (6) years after the Closing Date; and (iii) if based on a breach of any other representation or warranty, eighteen (18) months after the Closing Date.

11.4. Limitations.

(a) Neither party may assert a claim under this **Section 11**, until the total of all indemnifiable Losses sustained by such party under this Agreement or the Facility Lease exceeds Two Hundred Fifty Thousand Dollars (\$250,000), after which Buyer or Seller, as applicable, shall be liable for all Losses beginning with the first dollar of such Losses.

(b) Buyer and Seller shall have no liability with respect to indemnification claims and/or Losses arising under this Agreement or the transactions contemplated hereby to the extent such claims and/or Losses exceed Fifteen Million Four Hundred Thousand Dollars (\$15,400,000). However, the limitations set forth in this **Section 11.4** shall not apply to claims under **Section 11.1(iii)** or **Section 11.2(iii)** or that arise in connection with a breach of **Section 4.11**. No party shall be liable for any indemnification pursuant to **Section 11.1(i)** or **Section 11.2(i)**, as applicable, for any claims for misrepresentations and breaches of warranty that are the basis upon which any other party shall have failed to consummate the transactions described herein pursuant to **Section 8.1** or **Section 9.1**, as applicable, or that are based upon misrepresentations and breaches of warranty that have been waived pursuant to the initial paragraph of **Section 8** or **Section 9**, as applicable.

(c) Buyer may not assert a claim under **Section 11.2(i)** with respect to any matter within Buyer's Knowledge as of the Closing Date, and Seller may not assert a claim under **Section 11.1(i)** with respect to any matter within Seller's Knowledge as of the Closing Date.

11.5. Notice and Control of Litigation. If any claim or liability is asserted in writing by a third party against a party entitled to indemnification under this **Section 11** (the "**Indemnified Party**") that would give rise to a claim under this **Section 11**, the Indemnified Party shall notify the person giving the indemnity (the "**Indemnifying Party**") in writing of the same within fifteen (15) days of receipt of such written assertion of a claim or liability. The Indemnifying Party shall have the right to defend a claim and control the defense, settlement, and prosecution of any litigation. If the Indemnifying Party, within ten (10) days after notice of such claim, fails to defend such claim, the Indemnified Party shall (upon further notice to the Indemnifying Party) have the right to undertake the defense, compromise, or settlement of such claim on behalf of and for the account and at the risk of the Indemnifying Party, subject to the right of the Indemnifying Party to assume the defense of such claim at any time prior to settlement, compromise, or final determination thereof. Anything in this **Section 11.5** notwithstanding, (i) if there is a reasonable probability that a claim may materially and adversely affect the Indemnified Party other than as a result of money damages or other money payments, the Indemnified Party shall have the right, at its own cost and expense, to defend, compromise, and settle such claim, and (ii) the Indemnifying Party shall not, without the written consent of the Indemnified Party, settle or compromise any claim or consent to the entry of any judgment that does not include as an unconditional term thereof the giving by the claimant to the Indemnified Party of a release from all liability in respect of such claim. The foregoing rights and agreements shall be limited to the extent of any requirement of any third-party insurer or indemnitor. All parties agree to cooperate as fully as necessary in the defense of such matters. Should the Indemnified Party fail to notify the Indemnifying Party in the time required above, the indemnity with respect to the subject matter of the required notice shall be limited to the damages that

would have resulted absent the Indemnified Party's failure to notify the Indemnifying Party in the time required above after taking into account such actions as could have been taken by the Indemnifying Party had it received timely notice from the Indemnified Party.

11.6. Notice of Claim. If an Indemnified Party becomes aware of any breach of the representations or warranties of the Indemnifying Party hereunder or any other basis for indemnification under this **Section 11**, the Indemnified Party shall notify the Indemnifying Party in writing of the same within forty-five (45) days after becoming aware of such breach or claim, specifying in detail the circumstances and facts that give rise to a claim under this **Section 11**. Should the Indemnified Party fail to notify the Indemnifying Party within the time frame required above, the indemnity with respect to the subject matter of the required notice shall be limited to the damages that would have resulted absent the Indemnified Party's failure to notify the Indemnifying Party in the time required above after taking into account such actions as could have been taken by the Indemnifying Party had it received timely notice from the Indemnified Party.

11.7. Funding of Seller's Indemnification Obligations.

(a) **Creation of Indemnification Escrow.** At Closing (or, if Buyer elects to pay by promissory note as provided in Section 1.5, at the time such promissory note is paid in full), Seller shall deposit Fifteen Million Four Hundred Thousand Dollars (\$15,400,000) into an escrow account (the "Indemnification Escrow"), using an escrow agent reasonably satisfactory to Buyer, pursuant to an escrow agreement ("Escrow Agreement") substantially in the form attached hereto as Exhibit L. The Indemnification Escrow shall be maintained by the escrow agent for a period of six (6) years from the Closing Date. The Indemnification Escrow shall be used solely to pay claims asserted by Buyer under this Agreement or the Facility Lease and for no other purpose.

(b) **Direct Disbursements to Buyer.** As more fully set forth in the Escrow Agreement, if, pursuant to a claim for which Buyer is entitled to indemnification under **Section 11.2** of this Agreement, a governmental agency or any other payor withholds any payment or portion thereof from Buyer, Buyer may receive a disbursement from the Indemnification Escrow, without consent of Seller, by providing the escrow agent with a certified statement from Buyer's Chief Financial Officer that identifies the withholding party and the amount that the withholding party has withheld from Buyer. Upon delivery of the certified statement, the escrow agent shall immediately disperse to such amounts to Buyer. The provisions of Section 11.4(a) shall not apply to claims indemnified under this **Section 11.7(b)**. Seller may, at its sole cost, contest directly with the governmental agency or other payor the amount so withheld, provided that neither Seller's election to do so, nor the pendency of any such contest, shall prevent Buyer from receiving direct disbursements as provided herein. Buyer shall exercise its best efforts to provide Seller with notice of the circumstances of any claim arising under this Section 11.7(b) in sufficient time for Seller to take such action.

(c) **Step Down of Indemnification Escrow.** As more fully set forth in the Escrow Agreement, Seller shall be entitled to disbursements from the Indemnification Escrow in accordance with the following provisions ("Step Down Disbursements"). At the end of the third full year after the creation of the Indemnification Escrow, Seller may receive a disbursement

equal to the amount by which the then-current balance, less a reasonable reserve for indemnification claims then pending but not resolved (“Pending Claims”), exceeds \$11,550,000. At the end of the fourth full year after the creation of the Indemnification Escrow, Seller may receive a disbursement equal to the amount by which the then-current balance, less a reasonable reserve for Pending Claims, exceeds \$7,700,000. At the end of the fifth full year after the creation of the Indemnification Escrow, Seller may receive a disbursement equal to the amount by which the then-current balance, less a reasonable reserve for Pending Claims, exceeds \$3,850,000. At the end of the sixth full year after the creation of the Indemnification Escrow, Seller shall be entitled to receive the balance remaining in the Indemnification Escrow, less a reasonable reserve for Pending Claims. If at any time Buyer and Seller cannot agree on, or cannot determine, the amount of the reserve for Pending Claims, the entire balance of the Indemnification Escrow shall be maintained in the Escrow Account until Buyer and Seller so agree.

(d) Effect of Step Down Disbursements. Seller’s receipt of any Step Down Disbursement shall not reduce Seller’s aggregate indemnification liability under this Agreement or the Facility Lease. If as a result of any Step Down disbursements, the balance in the Indemnification Escrow is insufficient to pay a claim subject to indemnification under this Section 11 that is otherwise below Seller’s aggregate indemnification liability under this Agreement and the Facility Lease, Seller shall remain liable for such amount, subject to the limits set forth above.

11.8. Exclusive Remedy. Except for fraud or willful misconduct, Section 11 sets forth the exclusive remedies of the parties with respect to the matters described therein.

12. MISCELLANEOUS.

12.1. Schedules and Other Instruments. Each Schedule and Exhibit to this Agreement shall be considered a part hereof as if set forth herein in full. From the date hereof until the Closing Date, Seller or Buyer may update their Schedules, subject to the other party’s approval rights described below. Any other provision herein to the contrary notwithstanding, all Schedules, Exhibits, or other instruments provided for herein and not delivered at the time of execution of this Agreement or that are incomplete at the time of execution of this Agreement shall be delivered or completed at least fifteen (15) days prior to the Closing. It shall be deemed a condition precedent to the obligations of the parties hereto that each of the Schedules, Exhibits, and related documents, instruments, books, and records shall meet with the approval of such parties. If a party, in its sole discretion, determines that it should not consummate the transactions contemplated by this Agreement because of any information contained in a Schedule, Exhibit, or other instrument that is delivered to such party by the other party after the execution of this Agreement, then such party may terminate this Agreement on or before the Closing by giving written notice thereof to the other party.

12.2. Additional Assurances. The provisions of this Agreement shall be self-operative and shall not require further agreement by the parties except as may be herein specifically provided to the contrary; provided, however, at the request of a party, the other party or parties shall execute such additional instruments and take such additional actions as the requesting party

may deem necessary to effectuate this agreement. In addition and from time to time after Closing, Seller shall execute and deliver such other instruments of conveyance and transfer, and take such other actions as Buyer reasonably may request, more effectively to convey and transfer full right, title, and interest to, vest in, and place Buyer in legal and actual possession of, any and all of the Hospital and the Assets. Seller shall also furnish Buyer with such information and documents in its possession or under its control, or which Seller can execute or cause to be executed, as will enable Buyer to prosecute any and all petitions, applications, claims, and demands relating to or constituting a part of the Hospital or the Assets. Additionally, Seller shall cooperate and use its best efforts to have its present directors, officers, and employees cooperate with Buyer on and after Closing in furnishing information, evidence, testimony, and other assistance in connection with any action, proceeding, arrangement, or dispute of any nature with respect to matters pertaining to all periods prior to Closing in respect of the items subject to this Agreement.

12.3. Consents, Approvals, and Discretion. Except as herein expressly provided to the contrary, whenever this Agreement requires any consent or approval to be given by a party, or whenever a party must or may exercise discretion, the parties agree that such consent or approval shall not be unreasonably withheld or delayed and such discretion shall be reasonably exercised.

12.4. Legal Fees and Costs. In the event a party elects to incur legal expenses to enforce or interpret any provision of this Agreement by judicial proceedings, the prevailing party will be entitled to recover such legal expenses, including, without limitation, reasonable attorneys' fees, costs, and necessary disbursements at all court levels, in addition to any other relief to which such party shall be entitled.

12.5. Choice of Law. The parties agree that this Agreement shall be governed by and construed in accordance with the Laws of the State of Florida without regard to conflict of Laws principles. The venue with respect to any dispute arising hereunder shall be Bay County, Florida. The parties to this Agreement hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection that they may have to the venue of any such dispute brought in Bay County or any defense of inconvenient forum for the maintenance of such dispute.

12.6. Benefit/Assignment. Subject to provisions herein to the contrary, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives, successors, and assigns. No party may assign this Agreement without the prior written consent of the other parties, which consent shall not be unreasonably withheld.

12.7. No Brokerage. Buyer and Seller each represents and warrants to the other that it has not engaged a broker in connection with the transactions described herein. Each party agrees to be solely liable for and obligated to satisfy and discharge all loss, cost, damage, or expense arising out of claims for fees or commissions of brokers employed or alleged to have been employed by such party.

12.8. Cost of Transaction. Whether or not the transactions contemplated hereby shall be consummated, the parties agree as follows: (i) Seller shall pay the fees, expenses, and disbursements of Seller and its agents, representatives, accountants, and legal counsel incurred in

connection with the subject matter hereof and any amendments hereto; (ii) Buyer shall pay the fees, expenses, and disbursements of Buyer and its agents, representatives, accountants, and legal counsel incurred in connection with the subject matter hereof and any amendments hereto; (iii) Seller and Buyer shall share equally the costs and expenses incurred with respect to the Survey, the Title Commitment, and the Title Policy, (and any subsequent assessments necessitated thereby); (iv) Buyer shall pay any applicable real estate transfer taxes or similar taxes imposed on the transaction contemplated in the Facility Lease; and (v) Buyer shall pay state and local recording fees and similar costs with respect to the transactions contemplated by this Agreement, if any.

12.9. Confidentiality. It is understood by the parties hereto that the information, documents, and instruments delivered to Buyer by Seller and its agents and the information, documents, and instruments delivered to Seller by Buyer and its agents are of a confidential and proprietary nature. Each of the parties hereto agrees that both prior and subsequent to the Closing it will maintain the confidentiality of all such confidential information, documents, or instruments delivered to it by each of the other parties hereto or their agents in connection with the negotiation of this Agreement or in compliance with the terms, conditions, and covenants hereof and will only disclose such information, documents, and instruments to its duly authorized officers, members, directors, representatives, and agents (including consultants, attorneys, and accountants of each party) and applicable governmental authorities in connection with any required notification or application for approval or exemption therefrom. Each of the parties hereto further agrees that if the transactions contemplated hereby are not consummated, it will destroy all such documents and instruments and all copies thereof in its possession and certify such destruction to the other parties to this Agreement. Each of the parties hereto recognizes that any breach of this **Section 12.9** would result in irreparable harm to the other party to this Agreement and its Affiliates and that therefore either Seller or Buyer shall be entitled to an injunction to prohibit any such breach or anticipated breach, without the necessity of posting a bond, cash, or otherwise, in addition to all of its other legal and equitable remedies. Nothing in this **Section 12.9**, however, shall prohibit the use of such confidential information, documents, or information for such governmental filings, notices, or other communications as in the opinion of Seller's counsel or Buyer's counsel are required by Law or governmental regulations or are otherwise required to be disclosed pursuant to applicable state Law. Notwithstanding the foregoing, the following shall not be considered confidential information: any data or information (a) that is already known to the receiving party at the time it is disclosed to the receiving party; or (b) which before being divulged by the receiving party: (i) has become generally known to the public through no wrongful act of the receiving party; (ii) has been rightfully received by the receiving party from a third party without restriction on disclosure and without, to the knowledge of the receiving party, a breach of an obligation of confidentiality running directly or indirectly to the other party hereto; (iii) has been approved for release by a written authorization by the other party hereto; (iv) is required to be disclosed by Law; or (v) is independently developed by the receiving party without use, directly or indirectly, of the confidential information received from the other party hereto.

12.10. Public Announcements. No party hereto shall release, publish, or otherwise make available to the public in any manner whatsoever any information or announcement regarding the transactions herein contemplated without the prior written consent of Seller and Buyer, except (a) as necessary to accomplish the requisite Seller approvals and (b) for

information and filings reasonably necessary to be directed to governmental agencies to effect the transactions herein contemplated fully and lawfully or required in connection with securities and other Laws.

12.11. Waiver of Breach. The waiver by any party of a breach or violation of any provision of this Agreement shall not operate as, or be construed to constitute, a waiver of any subsequent breach of the same or any other provision hereof.

12.12. Notice. Any notice, demand, or communication required, permitted, or desired to be given hereunder shall be deemed effectively given when personally delivered, when received by receipted overnight delivery, or five (5) days after being deposited in the United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, addressed as follows:

Seller: _____

Attention: _____

With a simultaneous copy to: _____

Attention: _____

Buyer: NEWCO, Inc.

Attention: _____

With a simultaneous copy to: LHP Hospital Group, Inc.
2800 North Dallas Parkway, Suite 200
Plano, Florida 75093
Attention: General Counsel

With a simultaneous copy to: Sacred Heart Health System, Inc.

Attention: _____

BCHS: Bay County Health System, LLC

Attention: _____

With a simultaneous copy to: LHP Hospital Group, Inc.

2800 North Dallas Parkway, Suite 200
Plano, Florida 75093
Attention: General Counsel

With a simultaneous copy to: Sacred Heart Health System, Inc.

Attention: _____

SHHS: Sacred Heart Health System, Inc.

Attention: _____

LHP: LHP Hospital Group, Inc.
2800 North Dallas Parkway, Suite 200
Plano, Florida 75093
Attention: General Counsel

or to such other address, and to the attention of such other person or officer as any party may designate, with copies thereof to the respective counsel thereof as notified by such party.

12.13. Severability. In the event any provision of this Agreement is held to be invalid, illegal, or unenforceable for any reason and in any respect, such invalidity, illegality, or unenforceability shall in no event affect, prejudice, or disturb the validity of the remainder of this Agreement, which shall be and remain in full force and effect, enforceable in accordance with its terms.

12.14. Gender and Number. Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine, and neuter, and the number of all words herein shall include the singular and plural.

12.15. Divisions and Headings. The divisions of this Agreement into sections and subsections and the use of captions and headings in connection therewith are solely for convenience and shall have no legal effect in construing the provisions of this Agreement.

12.16. Affiliates. As used in this Agreement, the term “Affiliate” means, (a) as to the Seller, any entity that directly or indirectly controls, is controlled by or is under common control with, the entity in question, and the term “control” means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise, which shall include the following entities: (i) Bay Medical at the Beach, Inc., a Florida non-profit corporation, and its Affiliate, Bay Beach Facility, LLC, a Florida limited liability company; and (ii) Bay Supply Solutions, Inc.; and (b) as to Buyer, any entity that directly or indirectly controls, is controlled by or is under common control with, the entity in question, and the term “control” means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise.

12.17. Mediation and Arbitration. Subject to the right of any party to seek an injunction or other equitable relief including specific performance from a court with applicable authority, any controversy, dispute or disagreement arising out of or relating to this Agreement shall be resolved as set forth by mediation or arbitration as follows:

(a) If either party (the “**First Party**”) disagrees with the other party’s (the “**Second Party**”) claim of breach, the First Party shall provide the Second Party in writing an explanation of the First Party’s position that no breach has occurred. If, within sixty (60) days of the Second Party’s receipt of the First Party’s statement of position, the parties have not resolved the dispute, either party may seek mediation before a single mediator appointed by the American Health Lawyers Association (“**AHLA**”). If for any reason AHLA no longer exists or ceases to provide mediation and arbitration services, either party may ten seek mediation before a single mediator appointed by the American Arbitration Association.

(b) If the parties are unable to resolve their dispute through mediation as provided herein, the dispute shall be resolved by final and binding arbitration before a single arbitrator appointed by the AHLA pursuant to its then-current rules of arbitration. The arbitration proceeding shall not be public and the arbitrator’s sole authority shall be: (i) to decide whether there is, or has been a breach that the First Party has failed to cure; and (ii) if the arbitrator decides a breach has occurred, award such direct and actual damages that the Second Party can establish, by the preponderance of the credible evidence, were sustained by the Second Party as a direct result of the First Party’s breach. In no case is the arbitrator authorized to award indirect, consequential, or punitive damages, nor may the arbitrator rescind or otherwise terminate this Agreement.

12.18. Accounting Date. The transactions contemplated hereby shall be effective for accounting purposes as of 12:01 a.m. on the Closing Date, unless otherwise agreed in writing by Seller and Buyer. The parties will use commercially reasonable efforts to cause the Closing to be effective as of a month end, with equitable adjustments made to the Purchase Price as necessary to give effect to the foregoing

12.19. No Inferences. Inasmuch as this Agreement is the result of negotiations between sophisticated parties of equal bargaining power represented by counsel, no inference in favor of, or against, either party shall be drawn from the fact that any portion of this Agreement has been drafted by or on behalf of such party.

12.20. No Third Party Beneficiaries. The terms and provisions of this Agreement are intended solely for the benefit of Buyer and Seller and their respective permitted successors or assigns, and it is not the intention of the parties to confer, and this Agreement shall not confer, third-party beneficiary rights upon any other person.

12.21. Enforcement of Agreement. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement was not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of competent jurisdiction, this being in addition to any other remedy to which they are entitled at Law or in equity.

12.22. Entire Agreement/Amendment. This Agreement and the Facility Lease supersede all previous contracts or understandings, including any offers, letters of intent, proposals, or letters of understanding (including, without limitation, that certain letter of intent among Seller, LHP, and SHHS dated September 29, 2011), and constitutes the entire agreement of whatsoever kind or nature existing between or among the parties respecting the within subject matter, and no party shall be entitled to benefits other than those specified herein. As between or among the parties, no oral statements or prior written material not specifically incorporated herein shall be of any force and effect. The parties specifically acknowledge that in entering into and executing this Agreement, the parties rely solely upon the representations and agreements contained in this Agreement and no others. All prior representations or agreements, whether written or verbal, not expressly incorporated herein are superseded, and no changes in or additions to this Agreement shall be recognized unless and until made in writing and signed by all parties hereto. This Agreement may be executed in two or more counterparts, each and all of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

12.23. Other Owners of Assets. The parties acknowledge that certain Assets may be owned by Affiliates of Seller and not Seller. Seller shall, and shall cause its Affiliates owning any portion of the Assets, if any, to transfer the Assets and the Assumed Liabilities to Buyer pursuant to and in accordance with the terms and conditions of this Agreement, including transferring such Asset to Buyer pursuant to a Bill of Sale substantially in the form attached hereto as **Exhibit B**. In addition to the foregoing, and for purposes of all representations, warranties, covenants, and agreements contained herein, Seller agrees that: (i) its obligations with respect to any Assets shall be joint and several with any Affiliate that owns or controls such Assets; (ii) the representations, warranties and covenants herein, to the extent applicable, shall be deemed to have been made by, on behalf of and with respect to, such Affiliates in their ownership capacity; and (iii) it has the legal capacity to cause, and it shall cause, any Affiliate that owns or controls any Assets to meet all of Seller's obligations under this Agreement with respect to such Assets. Seller hereby waives any defense to a claim made by Buyer under this Agreement based on the failure of any person who owns or controls the Assets to be a party to this Agreement.

12.24. Risk of Loss. Notwithstanding any other provision hereof to the contrary, the risk of loss in respect of casualty to the Assets and Owned Real Property shall be borne by Seller prior to the time of Closing and by Buyer thereafter.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in multiple originals by their authorized officers, all as of the date first above written.

**THE BOARD OF TRUSTEES OF BAY
MEDICAL CENTER**

By: _____
Name: _____
Title: _____

NEWCO, INC.

By: _____
Name: _____
Title: _____

BAY COUNTY HEALTH SYSTEM, LLC

By: _____
Name: _____
Title: _____

LHP HOSPITAL GROUP, INC.

By: _____
Name: _____
Title: _____

SACRED HEART HEALTH SYSTEM, INC.

By: _____
Name: _____
Title: _____