



ASSET TRANSFER AGREEMENT

This Asset Transfer Agreement (this "Agreement") is made and entered into as of August 1, 2013 (the "Effective Date"), by and between Somervell County (the "County"), as Transferor, and Somervell County Hospital District (the "District") as Transferee.

RECITALS:

A. (I) The County owns property related to the delivery acute care services to the public through an acute care hospital known as Glen Rose Medical Center (the "Hospital") other healthcare businesses incident to the operation of the Hospital (the "Other Businesses") (the Hospital and the Other Businesses are each referred to herein as a "Health Care Business" and collectively as the "Health Care Businesses").

B. On May 11, 2013, the voters of the County by election (the "Election") approved the formation of the District pursuant to Chapter 286 of the Texas Health and Safety Code, as amended (the "Health Code").

C. The County canvassed the results of the Election on May 20, 2013, and passed a resolution accepting the Election results.

D. To effectuate the purposes and interests of the Election pursuant to Section 286 of the Health Code, the County desires to set forth the terms and conditions by which it will transfer, assign and deliver (the "Transfer") to the District, and the District will accept and assume from the County, the Health Care Businesses (except as described herein) and substantially all of the assets and liabilities with respect to the operation of the Health Care Businesses.

E. Pursuant to Section 286 of the Health Code and as an inter-local agreement between the County and District pursuant to Chapter 791 of the Texas Government Code, the County and District hereby, for the consideration and upon the terms and conditions contained in this Agreement, set forth the terms and condition of the Transfer.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants contained in this Agreement, and for their mutual reliance, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS; TRANSFER OF ASSETS; CLOSING

1.1 Transfer of County Assets. Subject to the terms and conditions set forth in this Agreement, the County hereby agrees to transfer, assign and deliver to the District, and the District agrees to receive and assume from the County, all of the assets, properties and businesses of the Health Care Businesses, of every kind and description, wherever located, whether tangible or intangible, real, personal or mixed, as such assets shall exist at the Effective Time, such transfer being deemed to be effective as of the Effective Time, including, without limitation, the following assets, properties and businesses (collectively, the "Assets"):

(a) all of the real property that is owned by the County and used with respect to the operation of any Health Care Business (the "Real Estate"), together with all owned buildings, improvements, construction in progress, and fixtures (collectively, the "Improvements") located

thereupon and all rights of way, easements and appurtenances thereto (collectively, the "Owned Real Property");

(b) all of the Other Businesses;

(c) the lessee's interest under leases for real property that is leased by the County and used with respect to the operation of any Health Care Business and in any Improvements owned by the lessee located thereon (collectively, the "Leased Real Property" and together with the Owned Real Property, the "Real Property");

(d) all of the tangible personal property owned by the County with respect to the operation of any Health Care Business and/or the Real Property, including all equipment, furniture, fixtures, machinery, vehicles, office furnishings, and leasehold improvements (collectively, the "Personal Property");

(e) all of the County's rights, to the extent assignable or transferable, to all licenses, permits, approvals, certificates of need, certificates of exemption, franchises, accreditations and registrations and other governmental licenses, permits or approvals issued with respect to the Real Property or the operation of any Health Care Business (collectively, the "Licenses");

(f) all of the County's interest as lessor, to the extent assignable or transferable, in and to all leases of Real Property and all of the County's interest as lessee or lessor, to the extent assignable or transferable, under all personal property leases with respect to the operation of any Health Care Business (collectively, the "Leases");

(g) all of the County's interest, to the extent assignable or transferable, in and to all contracts and agreements (including, but not limited to, purchase orders), whether oral or written, with respect to the operation of any Health Care Business (collectively, the "Contracts");

(h) all advance payments, prepayments, prepaid expenses, deposits and the like which exist as of the Effective Time which were made with respect to the operation of any Health Care Business (collectively, the "Prepays");

(i) to the extent transferable, all inventories of supplies, drugs, food, janitorial and office supplies and other disposables and consumables located at any of the Health Care Businesses, or used with respect to the operation of any of the Health Care Businesses;

(j) the original or true and correct copies of all documents, books, records, operating manuals, forms, files and computer software in the County's possession with respect to the operation of any of the Health Care Businesses and the Assets;

(k) to the extent assignable, all rights of the County in all warranties and guarantees of any manufacturer or vendor in connection with the Assets;

(l) all goodwill and intangible assets associated with the Health Care Businesses or the Assets;

(m) all benefits, proceeds or any other amounts payable under any policy of insurance maintained by the County with respect to the Health Care Businesses or the Assets with respect to

any damage, destruction or loss occurring on or subsequent to the Effective Date, to the extent not utilized by the County for repairs;

(n) all patents, trademarks, trade names, business names (including all names associated with specialty programs or services operated by the County in connection with the Health Care Businesses), service marks, logos, trade secrets, copyrights and all applications and registrations therefor and licenses thereof used with respect to the operation of any of the Health Care Businesses (the "Intellectual Property");

(o) the County's interest, to the extent transferable, in all telephone numbers used in connection with the operation of any of the Health Care Businesses;

(p) all deposits held by the County in connection with future services to be rendered by the Health Care Businesses on and after the Effective Time;

(q) operating funds and reserves for operating expenses and funds that have been budgeted by the County for the Health Care Businesses for the remainder of the fiscal year;

(r) funds established for payments related to indebtedness assumed by the District, including but not limited to the Assumed Obligations;

(s) all funds not specifically indicated above that are held in accounts related to the Health Care Businesses (these accounts and those described in clauses (p), (q), (r) and (s) are collectively referred to as the "District Accounts");

(t) taxes levied by the County related to the Health Care Businesses or the operation thereof for the current tax year; and

(u) to the extent not otherwise described elsewhere in this Section 1.1, all assets owned by the County used in any operations supportive of or ancillary to the operations of the Health Care Businesses.

1.2 Assumed Obligations. As of the Effective Time, the County shall assign, and the District shall assume and agree to discharge after the Effective Time, all of the liabilities and obligations of the County incurred in connection with the ownership and operation of the Health Care Businesses and the Assets, including the following liabilities (collectively, the "Assumed Obligations"):

(a) the Contracts and the Leases;

(b) any and all accounts payable incurred in connection with the ownership and operation of the Health Care Businesses and the Assets; and

(c) outstanding indebtedness incurred by County related to Health Care Businesses, including the Somervell County, Texas Certificates of Obligation, Series 2008 (the "Series 2008 Certificates").

1.3 Closing Date. The consummation of the transactions contemplated by this Agreement (the "Closing") shall occur on August 1, 2013, at such time and place as the parties shall mutually agree (the "Closing Date"); provided that all conditions precedent and other matters required to be completed as of the Closing Date have been or will be completed on such date. The Closing shall be deemed to have

occurred and to be effective as between the parties as of 12:01 a.m. on August 1, 2013 (the "Effective Time").

1.4 Items to be Delivered by the County at Closing.

At or before the Closing, the County shall deliver to the District the following, duly executed by the County where appropriate:

(a) a General Assignment and Bill of Sale, in form and substance satisfactory to the parties (the "Bill of Sale");

(b) a Special Warranty Deed(s), in form and substance satisfactory to the parties, together with any forms, properly completed, required by state, County or local law in order to record any such Deeds;

(c) copies of all third party consents (as executed by such third parties) required in connection with the transfer of the Assets by the County to the District and/or in connection with the District's assumption of the Assumed Obligations, including Leases and Contracts;

(d) a list of source or access codes to computers, combinations to safe(s) and the location of and keys to safe deposit boxes, if any; and

(e) such other instruments, certificates, consents or other documents as are reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof, or as required pursuant to the terms of this Agreement.

1.5 Items to be Delivered by the District at Closing.

At or before the Closing, the District shall execute and deliver or cause to be delivered to the County the following, duly executed by the District where appropriate:

(a) an Assignment of Contracts and Assumption of Liabilities, in form and substance satisfactory to the parties; and

(b) such other instruments, certificates, consents or other documents as are reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof, or as required pursuant to the terms of this Agreement.

ARTICLE 2

COVENANTS OF THE COUNTY

2.1 Access and Information; Inspections. Until the Effective Date, the County shall afford to the officers and agents of the District (which shall include accountants, attorneys, bankers and other consultants and agents of the District) reasonable access to, and the right to inspect, during normal business hours, the plants, properties, agreements, books, accounts, records and all other relevant documents and information with respect to the Assets, the Assumed Obligations and other items reasonably related to the Health Care Businesses. Until the Effective Date, the County shall furnish the District with such additional financial and operating data and other information in the County's possession as to businesses and properties of the Health Care Businesses as the District or its representatives may from time to time reasonably request. The District's right of access and inspection

shall be exercised in such a manner as not to interfere unreasonably with the operations of the Health Care Businesses. Such access may include, as reasonably requested by the District, consultations with the personnel of the County as well as any physicians on the medical staff at any of the Health Care Businesses. Further, the District may undertake physical inspections of the Real Property including, without limitation, mechanical and structural surveys of the Real Property, and may examine all documents related to environmental laws or related to any private or governmental agency which licenses or certifies any operations or procedures conducted by the County at the Real Property. The extent or scope of any inspection or survey of the Assets or Health Care Businesses to be undertaken by the District under this Section 2.1 shall be determined by the District in its reasonable discretion.

2.2 Required Approvals. The County shall reasonably cooperate with the District and its representatives and attorneys: (a) in obtaining all consents, approvals, authorizations, clearances, certificates of need and licenses required to carry out the transactions contemplated by this Agreement (including, without limitation, those of governmental and regulatory authorities) or which the District reasonably deems necessary or appropriate, and (b) in the preparation of any document or other material which may be required by any governmental agency as a predicate to or result of the transactions contemplated herein. As soon as practicable after the Effective Date, the County will make all governmental filings required to be made by it in order to consummate the transactions contemplated herein.

2.3 The County's Efforts to Close. The County shall use its reasonable commercial efforts to satisfy all of the conditions precedent set forth in Articles 4 and 5 to its or the District's obligations under this Agreement to the extent that the County's action or inaction can control or influence the satisfaction of such conditions.

ARTICLE 3

COVENANTS OF THE DISTRICT

3.1 Required Approvals. The District shall:

(a) obtain all consents, approvals, authorizations, clearances, and licenses required to carry out the transactions contemplated by this Agreement (including, without limitation, those of counterparties to contracts and leases and governmental and regulatory authorities) or which the County reasonably deems necessary or appropriate;

(b) reasonably cooperate with the County in the preparation of any document or other material which may be required by any governmental agency as a predicate to or result of the transactions contemplated herein; provided, however, that it shall be the District's responsibility to obtain the certificates of need and licenses required to carry out the transactions contemplated by this Agreement, if any; and

(c) make all governmental filings required to be made by it in order to consummate the transactions contemplated herein.

3.2 The District's Efforts to Close. The District shall use its reasonable commercial efforts to satisfy all of the conditions precedent set forth in Articles 4 and 5 to the District's or the County's obligations under this Agreement to the extent that the District's action or inaction can control or influence the satisfaction of such conditions.

ARTICLE 4

CONDITIONS PRECEDENT TO OBLIGATIONS OF THE COUNTY

The County's obligation to transfer, assign and deliver the Assets and to close the transactions as contemplated by this Agreement shall be subject to the satisfaction of each of the following conditions on or prior to the Closing Date unless specifically waived in writing by the County in whole or in part at or prior to the Closing:

4.1 Signing and Delivery of Instruments. The District shall have executed and delivered all documents, instruments and certificates required to be executed and delivered pursuant to the provisions of this Agreement.

4.2 Unfavorable Action or Proceeding. On the Closing Date, no orders, decrees, judgments or injunctions of any court or governmental body shall be in effect, and no claims, actions, suits, proceedings, arbitrations or investigations shall be pending or threatened, which in the reasonable opinion of the County's counsel, challenge or seek to challenge, or which could prevent or cause the rescission of, or inhibit, the consummation of the transactions contemplated in this Agreement. In the event of the receipt of any communication from any department or agency of government or any other notice (a copy of which communication or notice shall be promptly delivered to the other party hereto) prior to the Closing with regard to the transactions contemplated by this Agreement, which communication or notice shall in the reasonable opinion of the County and its counsel threaten such action or proceeding, the County may cancel this Agreement by giving written notice to the District and shall thereupon be released from any and all liability related to this Agreement.

4.3 Performance of Covenants. The District shall have in all respects performed or complied with each and all of the obligations, covenants, agreements and conditions required to be performed or complied with by it on or prior to Closing.

ARTICLE 5

CONDITIONS PRECEDENT TO OBLIGATIONS OF DISTRICT

The District's obligation to purchase the Assets and to close the transactions contemplated by this Agreement shall be subject to the satisfaction of each of the following conditions on or prior to the Closing Date unless specifically waived in writing by the District in whole or in part at or prior to the Closing.

5.1 Signing and Delivery of Instruments. The County shall have executed and delivered all documents, instruments and certificates required to be executed and delivered pursuant to all of the provisions of this Agreement.

5.2 Unfavorable Action or Proceeding. On the Closing Date, no orders, decrees, judgments or injunctions of any court or governmental body shall be in effect, and no claims, actions, suits, proceedings, arbitrations or investigations shall be pending or threatened, which in the reasonable opinion of the District's counsel: (a) challenge or seek to challenge, or which could prevent, cause the rescission

of or inhibit, the consummation of the transactions contemplated in this Agreement, or (b) would require the District to divest itself of any portion of the Assets, or (c) would materially and adversely affect the operation of the Health Care Businesses by the District following the Effective Time. In the event of the receipt of any communication from any department or agency of government or any other notice (a copy of which communication or notice shall be promptly delivered to the other party hereto) prior to the Effective Time with regard to the transactions contemplated by this Agreement, which communication or notice shall in the reasonable opinion of the District and its counsel threaten such action or proceeding, the District may cancel this Agreement by giving written notice to the County and shall thereupon be released from any and all liability related to this Agreement.

5.3 Performance of Covenants. The County shall have performed or complied with each and all of the obligations, covenants, agreements and conditions required to be performed or complied with by it on or prior to Closing.

ARTICLE 6

POST-CLOSING MATTERS

6.1 Preservation and Access to Records After the Closing.

(a) In connection with the transition of the Health Care Businesses pursuant to the transactions contemplated by this Agreement, the District shall after the Effective Time give the County and its representatives access during normal business hours to the District's books, accounts and records and all other relevant documents and information with respect to the assets, liabilities and business of the Health Care Businesses as representatives of the County may from time to time reasonably request, all in such manner as not to unreasonably interfere with the District's business or with the operations of the Health Care Businesses. Such documents and other materials shall be, at the District's option, either (i) copied by the District for the County at the County's expense, or (ii) removed by the County from the premises, copied by the County and promptly returned to the District. The County acknowledges that it shall coordinate its activities contemplated by this Section 6.1(a) through the District's CEO or such other person as he or she may designate.

(b) The District and its representatives shall be given access by the County during normal business hours to the extent reasonably needed by the District for business purposes to all documents, records, correspondence, work papers and other documents retained by the County pertaining to any of the Assets or with respect to the operation of the Health Care Businesses prior to the Effective Time, all in such manner as to not interfere unreasonably with the County's business. Such documents and other materials shall be, at the County's option, either (i) copied by the County for the District at the District's expense, or (ii) removed by the District from the premises, copied by the District and promptly returned to the County.

ARTICLE 7

SURVIVAL

7.1 Survival. Except as expressly set forth in this Agreement to the contrary, all covenants, agreements and indemnifications of the District and the County, respectively, contained in this Agreement or in any document delivered pursuant hereto shall be deemed to be material and to have been relied upon by the District and the County, respectively, and shall continue to be fully effective and enforceable

following the Effective Time for the applicable statute of limitations period, or such longer period indicated herein, and shall thereafter be of no further force and effect.

ARTICLE 8

MISCELLANEOUS PROVISIONS

8.1 Further Assurances and Cooperation. The parties shall execute, acknowledge and deliver to the other party any and all other assignments, consents, approvals, conveyances, assurances, documents, certificates and instruments reasonably requested by any party at any time and shall take any and all other actions reasonably requested by any party at any time for the purpose of more effectively assigning, transferring, granting, conveying and confirming the Assets to the District. After consummation of the transactions contemplated herein, the parties agree to cooperate with each other and take such further actions as may be necessary or appropriate to effectuate, carry out and comply with all of the terms of this Agreement, the documents referred to herein and the transactions contemplated hereby.

8.2 Governing Law; Venue. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas as applied to contracts made and performed within the State of Texas. The parties hereby waive their right to assert in any proceeding involving this Agreement that the law of any jurisdiction other than Texas shall apply to such dispute; and the parties hereby covenant that they shall assert no such claim in any dispute arising under this Agreement. Any proceeding which arises out of or relates in any way to the subject matter of this Agreement shall be brought in Somervell County. The parties hereby consent to the jurisdiction of the State of Texas and waive their right to challenge any proceeding involving or relating to this Agreement on the basis of lack of jurisdiction over the person or forum non conveniens.

8.3 Amendments. This Agreement may not be amended other than by written instrument signed by the parties hereto.

8.4 Notices. Any notice, demand or communication required, permitted, or desired to be given hereunder shall be deemed effectively given when personally delivered, when received by telegraphic or other electronic means (including facsimile) or overnight courier, or five (5) calendar days after being deposited in the United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, addressed as follows:

If to the County:	Somervell County P.O. Box 851 Glen Rose, Texas 76043 Attention: County Judge
If to the District:	Somervell County Hospital District 1021 Holden Street Glen Rose, Texas 76043 Attention: Administrator
With a copy to:	Reed, Claymon, Meeker & Hargett, PLLC 5608 Parkcrest Drive, Suite 200 Austin, Texas 78731 Attention: Kevin Reed Facsimile No.: (512) 660-5979

or at such other address as one party may designate by notice hereunder to the other parties.

8.5 Headings. The section and other headings contained in this Agreement and in the schedules to this Agreement are included for the purpose of convenient reference only and shall not restrict, amplify, modify or otherwise affect in any way the meaning or interpretation of this Agreement or the schedules hereto.

8.6 Fair Meaning. This Agreement shall be construed according to its fair meaning and as if prepared by all parties hereto.

8.7 Gender and Number; Construction. All references to the neuter gender shall include the feminine or masculine gender and vice versa, where applicable, and all references to the singular shall include the plural and vice versa, where applicable. Unless otherwise expressly provided, the word "including" followed by a listing does not limit the preceding words or terms and shall mean "including, without limitation."

8.8 Third Party Beneficiary. None of the provisions herein contained are intended by the parties, nor shall they be deemed, to confer any benefit on any person or entity not a party to this Agreement.

8.9 Expenses and Attorneys' Fees. Except as otherwise provided in this Agreement, each party shall bear and pay its own costs and expenses relating to the preparation of this Agreement and to the transactions contemplated by, or the performance of or compliance with any condition or covenant set forth in, this Agreement, including, without limitation, the disbursements and fees of their respective attorneys, accountants, advisors, agents and other representatives, incidental to the preparation and carrying out of this Agreement, whether or not the transactions contemplated hereby are consummated. The parties expressly agree that all documentary stamp taxes and recording charges in connection with the conveyance of the Assets to the District shall be borne by the District. If any action is brought by any party to enforce any provision of this Agreement, the prevailing party shall be entitled to recover its court costs and reasonable attorneys' fees.

8.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement, binding on all of the parties hereto.

8.11 Entire Agreement. This Agreement, the schedules, and the documents referred to herein contain the entire understanding between the parties with respect to the transactions contemplated hereby and supersede all prior or contemporaneous agreements, understandings, representations and statements, oral or written, between the parties on the subject matter hereof, and shall be of no further force or effect.

8.12 No Waiver. Any term, covenant or condition of this Agreement may be waived at any time by the party which is entitled to the benefit thereof but only by a written notice signed by the party expressly waiving such term or condition. The subsequent acceptance of performance hereunder by a party shall not be deemed to be a waiver of any preceding breach by the other party of any term, covenant or condition of this Agreement, other than the failure of such party to perform the particular duties so accepted, regardless of such party's knowledge of such preceding breach at the time of acceptance of such performance. The waiver of any term, covenant or condition shall not be construed as a waiver of any other term, covenant or condition of this Agreement.

8.13 Severability. If any term, provision, condition or covenant of this Agreement or the application thereof to any party or circumstance shall be held to be invalid or unenforceable to any extent in any jurisdiction, then the remainder of this Agreement and the application of such term, provision, condition or covenant in any other jurisdiction or to persons or circumstances other than those as to whom or which it is held to be invalid or unenforceable, shall not be affected thereby, and each term, provision, condition and covenant of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

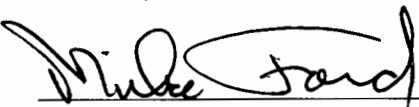
8.14 Dispute Resolution Procedure. The parties agree to use the dispute resolution process provided for in Chapter 2009 of the TEXAS GOVERNMENT CODE to attempt to resolve all disputes arising under this Agreement. A party must give written notice to the other party of a claim for breach of this Agreement not later than the 180th day after the date of the event giving rise to the claim. By their execution of this Agreement, the parties acknowledge and knowingly and voluntarily agree that neither the execution of this Agreement; nor the conduct, act or inaction by any person in the execution, administration, or performance of this Agreement constitutes or is intended to constitute a waiver of the other party's immunity from suit with respect to claims of third parties.

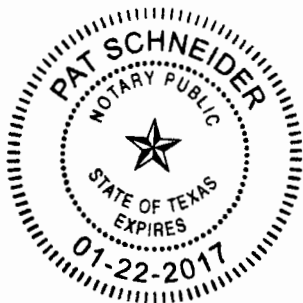
8.15 Public Records. It shall be the independent responsibility of the parties to comply with the provisions of Chapter 552, TEXAS GOVERNMENT CODE (the "Public Information Act"), as those provisions apply to the parties' respective information. No party is authorized to receive public information requests or take any action under the Public Information Act on behalf of another party.

8.16 Time is of the Essence. Time is of the essence for all dates and time periods set forth in this Agreement and each performance called for in this Agreement.

IN WITNESS WHEREOF, this Asset Transfer Agreement has been entered into as of the day and year first above written.

COUNTY:
Somervell County

By: 
Name: Judge Mike Ford
Its: County Judge



DISTRICT:
Somervell County Hospital District

By: 
Name: Larry Shaw
Its: Chairman

State of Texas
County of Somervell

This instrument was acknowledged before me on:

August 15, 2013

**by: Judge Mike Ford
and
Chairman Larry Shaw**

Pat Schneider


FILED AND RECORDED

OFFICIAL PUBLIC RECORDS

Candace Garrett

August 15, 2013 02:34:46 PM

20131344

FEE: \$0.00

Candace Garrett County Clerk
Somervell County TEXAS