

ECONOMIC DEVELOPMENT PROGRAM AGREEMENT

This Economic Development Program Agreement ("**Agreement**") is entered into this 27th day of November, 2012, by and between Williamson County, Texas ("**County**"), and Round Rock RE Holdings, LLC, a Texas limited liability company ("**Hospital**").

WHEREAS, the County, in recognition of the positive economic benefits to the County through Hospital's development of approximately 4.089 acres of land, as more particularly described on the attached **Exhibit A** ("**Property**") as an acute care hospital of approximately 59,845 square feet of facility (the "**Project**"); and

WHEREAS, the purpose of this Agreement is to promote economic development as contemplated by Chapter 381 of the Texas Local Government Code whereby Hospital intends to construct, develop and operate the Project, or cause the Project to be operated, in conformance with the City of Round Rock's (the "**City**") development approvals for the Project, and;

WHEREAS, the County agrees to provide performance based economic development grants to Hospital to defray a portion of the Project's costs.

NOW, THEREFORE, in consideration of the mutual benefits and promises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the County and Hospital agree as follows:

1. **Authority.** The County's execution of this Agreement is authorized by Chapter 381 of the Texas Local Government Code and constitutes a valid and binding obligation of the County in the event Hospital proceeds with the development of the Property. The County acknowledges that Hospital is acting in reliance upon the County's performance of its obligations under this Agreement in making its decision to commit substantial resources and money to develop the Property.

2. **Definitions.**

2.1 "**Assessed Value**" means the assessed value of the Eligible Property as determined annually by either the Williamson Central Appraisal District.

2.2 "**Hospital Tract**" means the property described in **Exhibit A**.

2.3 "**Base Year Value**" means the assessed value of the Eligible Property on January 1, 2012.

2.4 "**Economic Incentive Payment(s)**" ("**EIPs**") means payments of the amount required to be paid by the County to Hospital under the Program and this Agreement.

2.5 "**Effective Date**" is the date this Agreement is executed to be effective by the County and Hospital.

2.6 ***“Eligible Property”*** means collectively the Hospital Tract and Improvements, but excluding Personal Property.

2.7 ***“Improvements”*** means the buildings, structures, or portions thereof, and other site improvements, that are erected by Hospital as part of an approximately 59,854 square feet Project.

2.9 ***“Personal Property”*** means taxable non-real property, as defined by the Texas Tax Code and the Williamson County Appraisal District which is purchased or leased for the exclusive use by Hospital in the operation of, or in connection with the Project.

2.11 ***“Project”*** means Hospital’s planned development of the Property. The Project shall include approximately 59,845 square feet, two-story Long Term Acute Care Hospital with a minimum of 50 beds, offering specialized medical services complementing those offered in the community hospitals in and around the County.

2.12 ***“Property Tax Revenues”*** means the amount of real property tax collected by the County arising from the Project.

3. **Term.** This Agreement shall become enforceable upon its Effective Date. This Agreement shall terminate on December 31, 2019.

4. **Rights and Obligations of Hospital.** In consideration of the County’s compliance with this Agreement, Hospital agrees as follows:

4.1 **Compliance with Development Regulations and Other Ordinances.** Hospital shall comply with the City’s development approval processes and shall develop the Project on the Property consistent with City ordinances, City-approved zoning ordinance for the Property, County and City-approved development regulations, and other County and City development requirements.

4.2 **Hospital Accounting.** Hospital shall maintain complete books and records showing all property taxes paid to the County, which books and records shall be deemed complete if kept in accordance with generally acceptable accounting principles. Such books and records shall be available for examination by the duly authorized officers or agents of the County during normal business hours upon request made not less than ten (10) business days prior to the date of such examination. Hospital shall maintain such books and records throughout the term of this Agreement and for four (4) years thereafter.

4.3 **Submission of Data.** Within thirty (30) days of the end of each calendar year, Hospital shall submit to the County a schedule detailing the amount of Property Tax Revenues for the preceding calendar year. As backup for the schedule, Hospital shall submit such other data as the County may determine reasonably appropriate to evidence the Property Tax Revenues.

4.4 **Hospital’s Development Covenants.** In consideration of the County’s agreement to enter into this Agreement, Hospital represents that it intends to construct the Improvements for the purpose of operating its facility in the County and Hospital acknowledges that the County’s

obligations hereunder are conditioned upon Hospital's continued operation of said facility. In the event Hospital fails to substantially complete the Improvements by December 31, 2014 (subject to delays caused by events of Force Majeure), the County may terminate this Agreement by giving Hospital written notice of such termination. As additional consideration, Hospital agrees and covenants to provide and/or retain at least the number of jobs within the Facility according to the following schedule:

<u>Date</u>	<u>Retained</u>	<u>New</u>	<u>Total</u>
On December 31, 2014	0	85	85
On December 31, 2015	85	0	85
On December 31, 2016	85	0	85
On December 31, 2017	85	15	100
On December 31, 2018	85	0	100

Hospital agrees to provide to the County annual manpower reports on a form approved by the County within thirty (30) days following the end of the calendar year.

Hospital agrees that regardless of anything contained herein to the contrary, during the term of this Agreement, the Assessed Value shall be no less than \$14,000,000.

5. **Rights and Obligations of the County.** In consideration of Hospital's compliance with this Agreement, the County agrees as follows:

5.1 **Economic Incentive Payments.**

5.1.1 **County Payments.** County shall pursuant to Chapter 381 of the Texas Local Government Code, but subject to the conditions set out here, make annual EIPs to Hospital within thirty (30) days after Hospital submits to the County the report and data for such calendar year as required herein. The EIPs are to be calculated as follows:

(a) Calculations will be based upon actual Property Tax Revenues received by the County directly related to the Project;

(b) The EIPs will be amounts calculated as follows:

Tax Year 1 (2013) (Assessed Value) – (Base Year Value) x 50 % x County Tax Rate for the applicable Tax Year

Tax Year 2 (2014) (Assessed Value) – (Base Year Value) x 50 % x County Tax Rate for the applicable Tax Year

Tax Year 3 (2015) (Assessed Value) – (Base Year Value) x 50 % x County Tax Rate for the applicable Tax Year

Tax Year 4 (Assessed Value) – (Base Year Value) x 50 % x County Tax Rate for the

(2016)

applicable Tax Year

Tax Year 5 (Assessed Value) – (Base Year Value) x 50 % x County Tax Rate for the
(2017) applicable Tax Year

If the Project is completed in 2014, then the EIP's listed above shall begin in 2014 and end in 2018.

The County will independently verify that taxes have been paid in full and will pay the EIP's only on tax accounts in good standing and not delinquent.

Any adjustments to Assessed Value or Property Tax Revenues resulting in a credit or refund of taxes are to be reflected as a corresponding adjustment to the EIP's or reimbursed to the County, regardless of the date of adjustment.

5.1.2 Payments Subject to Future Appropriations. Although certain payments under this Agreement are calculated based on a formula applied to Property Tax Revenues, this Agreement shall not be construed as a commitment, issue or obligation of any specific taxes or tax revenues for payment to Hospital. All payments by the County under this Agreement are subject to the County's appropriation of funds for such payments in the budget year for which they are made. The payments to be made to Hospital, if paid, shall be made solely from annual appropriations from the general funds of the County or from such other funds of the County as may be legally set aside for the implementation of Article III, Section 52a of the Texas Constitution or Chapter 381 of the Local Government Code or any other economic development or financing program authorized by statute or home rule powers of the County under applicable Texas law, subject to any applicable limitations or procedural requirements. In the event that the County does not appropriate funds in any fiscal year for payments due under this Agreement, such failure shall not be considered a default, and the County shall not be liable to Hospital for such payments otherwise due during such fiscal year; however, the term of this Agreement shall be extended one (1) year for each year the County fails to appropriate funds for payments otherwise due under this Agreement. Hospital shall also have the right but not the obligation to rescind this Agreement. To the extent there is a conflict between this paragraph and any other language or covenant in this Agreement, this paragraph shall control.

6. Miscellaneous.

6.1 **Mutual Assistance.** The County and Hospital will do all things reasonably necessary or appropriate to carry out the terms and provisions of this Agreement, and to aid and assist each other in carrying out such terms and provisions in order to put each other in the same economic condition contemplated by this Agreement regardless of any changes in public policy, the law, or taxes or assessments attributable to the Property.

6.2 **Representations and Warranties.** The County represents and warrants to Hospital that the Program and this Agreement are within its authority, and that it is duly authorized and empowered to establish the Program and enter into this Agreement, unless otherwise ordered by a court of competent jurisdiction. Hospital represents and warrants to the County that it has the requisite authority to enter into this Agreement.

6.3 **Default.** If either the County or Hospital should default in the performance of any obligations of this Agreement, the other party shall provide such defaulting party written notice of the default, and a minimum period of thirty (30) days to cure such default, prior to instituting an action for breach or pursuing any other remedy for default. If the County remains in default after notice and opportunity to cure, Hospital shall have the right to pursue any remedy at law or in equity for the County's breach. If Hospital remains in default after notice and opportunity to cure, the County's remedy shall initially be limited to suspension of the EIPs that accrue after the date of such default until such default is cured. After any such default is cured, the County shall promptly forward any such suspended payment to Hospital. If Hospital's default is not cured within sixty (60) days after Hospital's receipt of a second notice of default from the County that clearly and conspicuously indicates the County's intention to terminate this Agreement, the County may terminate this Agreement by giving Hospital written notice of such termination prior to the date Hospital cures such default. Any EIPs from County to Hospital which is not timely paid by County (unless due to Hospital's default) shall incur interest at the highest rate per annum allowed by the applicable law of the State of Texas from the date such EIPs are due until paid. Any funds owed by Hospital to the County which are not timely paid by Hospital shall incur interest at the highest rate per annum allowed by the applicable law of the State of Texas from the date such funds are due until paid.

6.4 **EIP Recapture.** In the event the County terminates this Agreement as a result of Hospital's default, the County may recapture and collect from Hospital the EIP's that were paid as a result of this Agreement (the "**Recapture Liability**"). Hospital shall pay to the County the Recapture Liability within thirty (30) days after the date of termination, subject to any and all lawful offsets, settlements, deduction, or credits to which Hospital may be entitled. Notwithstanding anything herein to the contrary, such Recapture Liability shall not exceed an amount equal to all EIP's which were paid pursuant to this Agreement from the Effective Date to the date of termination (together with interest thereon to be charged at the statutory rate for delinquent taxes as determined by Section 33.01 of the Property Tax Code of the State of Texas, but without the addition of a penalty). The County shall have all remedies for the collection of the Recapture Liability as provided generally in the Tax Code for the collection of delinquent property taxes.

6.5 **Attorney's Fees.** In the event any legal action or proceeding is commenced between the County and Hospital to enforce provisions of this Agreement and recover damages for breach, the prevailing party in such legal action shall be entitled to recover its reasonable attorney's fees and expenses incurred by reason of such action, to the extent allowed by law.

6.6 **Entire Agreement.** This Agreement contains the entire agreement between the parties. This Agreement may only be amended, altered or revoked by written instrument signed by the County and Hospital.

6.7 **Binding Effect.** This Agreement shall be binding on and inure to the benefit of the parties, their respective successors and assigns.

6.8 **Assignment.** Hospital may not assign all or part of its rights and obligations to a third party without the express written consent of the County (which consent shall not be unreasonably withheld, conditioned or denied).

6.9 **Amendment.** This Agreement may be amended by the mutual written agreement of the parties.

6.10 **Termination.** In the event Hospital elects not to proceed with the Project as contemplated by this Agreement, Hospital shall notify the County in writing of such election, and this Agreement and the obligations on the part of both parties shall thereafter be deemed terminated and of no further force or effect. Notwithstanding the above, in the event Hospital does not substantially complete the construction of the Project and open for the business by December 31, 2013 (subject to delays caused by an event of force majeure), the County may terminate this Agreement by giving Hospital notice thereof prior to the date the Project is opened for business.

6.11 **Notice.** Any notice and or statement required and permitted to be delivered shall be deemed delivered by actual delivery, facsimile with receipt of confirmation, or by depositing the same in the United States mail, certified with return receipt requested, postage prepaid, addressed to the appropriate party at the following addresses:

If to County: County of Williamson
710 Main Street
Georgetown, TX 78628
Attn: County Judge

With a required copy to:

Sheets & Crossfield
Charlie Crossfield
309 E. Main Street
Round Rock, TX 78664
Attn: Charles Crossfield
Phone: (512) 255-8877
Fax: (512) 255-8986

If to Hospital: Round Rock RE Holdings, LLC
2200 Ross Avenue, Ste. 3060
Dallas, Texas 75201
Attn: David Smith, President
Phone: (469) 621-6740
Email: dsmith@chghospitals.com

With required copies to:

Brown McCarroll, LLP
111 Congress Ave., Ste 1400
Austin, Texas 78701
Attn: Nikelle S. Meade
Attn: (512) 479-1147
Email: nmeade@brownmccarroll.com

And a required copy to:

Cornerstone Healthcare group
2200 Ross Avenue, Ste 3060
Dallas, Texas 75201
Attn: Chris Corrigan, Corporate Counsel
Phone: (469) 621-6740
Email: ccorrigan@chghospitals.com

Either party may designate a different address at any time upon written notice to the other party.

6.12 Interpretation. Each of the parties has been represented by counsel of their choosing in the negotiation and preparation of this Agreement. Regardless of which party prepared the initial draft of this Agreement, this Agreement shall, in the event of any dispute, however its meaning or application, be interpreted fairly and reasonably and neither more strongly for or against any party.

6.13 Applicable Law. This Agreement is made, and shall be construed and interpreted, under the laws of the State of Texas and venue shall lie in Williamson County, Texas.

6.14 Severability. In the event any provisions of this Agreement are illegal, invalid or unenforceable under present or future laws, and in that event, it is the intention of the parties that the remainder of this Agreement shall not be affected. It is also the intention of the parties of this Agreement that in lieu of each clause and provision that is found to be illegal, invalid or unenforceable, a provision be added to this Agreement which is legal, valid or enforceable and is as similar in terms as possible to the provision found to be illegal, invalid or unenforceable.

6.15 Paragraph Headings. The paragraph headings contained in this Agreement are for convenience only and will in no way enlarge or limit the scope or meaning of the various and several paragraphs.

6.16 No Third Party Beneficiaries. This Agreement is not intended to confer any rights, privileges or causes of action upon any third party.

6.17 **Force Majeure.** Except as otherwise provided herein, an equitable adjustment shall be made for delay or failure in performing if such delay or failure is caused, prevented, or restricted by conditions beyond that Party's reasonable control (an "*event of force majeure*"). An *event of force majeure* for the purposes of this Agreement shall include, but not be limited to, acts of God, fire; explosion, storm or similar occurrences; orders or acts of military or civil authority; changes in law, rules, or regulations outside the control of the affected Party; national emergencies or insurrections; riots; and acts of terrorism;.

6.18 **Exhibits.** The following **Exhibit A** is attached and incorporated by reference for all purposes:

Exhibit A: Property Description

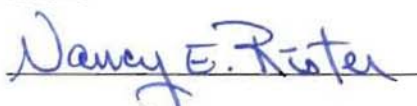
6.19 **No Joint Venture.** It is acknowledged and agreed by the parties that the terms hereof are not intended to and shall not be deemed to create any partnership or joint venture among the parties. The County, its past, present and future officers, elected officials, employees and agents of the County, do not assume any responsibilities or liabilities to any third party in connection with the development of the Project or the design, construction or operation of any portion of the Project.

EXECUTED to be effective as of the 27th day of November, 2012 (the "Effective Date").

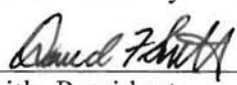
WILLIAMSON COUNTY, TEXAS

By: 
DAN A. GATTIS, County Judge

Attest:


Nancy Rister, County Clerk

ROUND ROCK RE HOLDINGS, LLC
a Texas limited liability company

By: 
David Smith, President

Date: 11-16-12

EXHIBIT A

PROPERTY DESCRIPTION

Lots 1 and 2, Block "C ", Avery Centre, College Park North, Phase 6, according to the Plat of record in Document No. 2012092552, Official Public Records of Williamson County, Texas.