

## **MANAGEMENT SERVICES AGREEMENT**

THIS AGREEMENT (“Agreement”) is made effective August 1, 2015 (“Effective Date”) between Health Dimensions Consulting, Inc., a Minnesota corporation, dba Health Dimensions Group (“Manager”) and Rock Island County, Illinois, a body politic and corporate (“Owner”):

### **1. RECITALS**

1.1 Owner is the governing body for Hope Creek Care Nursing Home, a 245-bed licensed, Medicaid-enrolled and Medicare-certified long term care facility located at 4343 Kennedy Drive, East Moline, Rock Island County, Illinois (“Facility”), and desires to contract for management services for the Facility; and

1.2 Rock Island County is the owner of the Facility and is its licensed operator (“County”).

1.3 Owner desires to carry out its responsibilities under this Agreement through a Board of Directors (the “Board”), except where otherwise expressly set forth in Article 5. For the purposes of this Agreement, duties and responsibilities of “Owner” shall be carried out by the Board of Directors.

1.4 Owner desires to engage Manager to provide management services at the Facility, and Manager desires to be engaged by Owner to provide such management services.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained, Owner hereby engages Manager to manage the Facility and Manager hereby accepts such engagement and agrees to render such services, all as set forth herein.

### **2. DEFINITIONS**

For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, (a) the capitalized terms used in this Agreement have the meanings assigned to them herein and include the plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with Generally Accepted Accounting Principles applicable at the time, (c) all references in this Agreement to designated “Articles,” “Paragraphs,” “Sections” and other subdivisions are to the designated Articles, Paragraphs, Sections and other subdivisions of this Agreement, and (d) the words “herein,” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Paragraph, Section or other subdivision.

2.1 Term Year/partial Term Year: A “Term Year” is a twelve month period during the Term of this Agreement beginning December 1 and ending November 30. The “Baseline Period” is the period from August 1, 2015 ending November 30, 2015. The beginning of

the Baseline Period is contingent upon Owner and Manager's agreement on and Board approval of, the metrics described in Section 3 of Attachment A. At Manager's option, the beginning of the Baseline Period may be deferred until such date as Owner and Manager agree on such metrics.

2.2 Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which national banks in the City of New York, New York, are authorized, or obligated by law or executive order to close. When time periods are referred to herein, those equal to or less than ten (10) days in length will be calculated based on Business Days. Periods exceeding ten (10) days will be calculated based on calendar days.

2.3 Effective Date: The date specified in the introductory paragraph of this Agreement.

2.4 Facility Operating Costs: All costs of operating the Facility.

2.5 Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting either the Facility or the use thereof, whether now or hereafter enacted and in force, and all permits, licenses and authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Manager at any time in force affecting the Facility.

2.6 Manager's Designated Representative: Craig Abbott, or such other individual or individuals as may be designated by Manager.

2.7 Management Fee: Compensation payable to Manager pursuant to Section 9 of this Agreement.

2.8 Owner's Designated Representative: the Chair of the Hope Creek Care Nursing Home Board of Directors, or such other individual or individuals as will be designated by County.

2.9 State: The State of Illinois.

2.10 Term: The period set forth in Section 6 which commences on the Effective Date, and ends when this Agreement is canceled, terminated or expires according to Section 7 of this Agreement and in addition any renewal or extension of this Agreement.

### **3. OBLIGATIONS OF MANAGER**

3.1 Management Services. Subject to Owner's full legal responsibility for determining, implementing and monitoring policies governing Facility operations, Manager will provide the following management services in connection with the operation of the Facility. Notwithstanding any provision to the contrary in this Agreement, except for Section 3.1.8,

services provided hereunder will not include extraordinary matters such as construction management for replacement projects, bankruptcy planning and support, oversight of any business lines other than a skilled nursing facility and other matters outside of the ordinary course of daily operations.

3.1.1 Administrator. Manager will recruit, retain and provide an on-site, full-time administrator (“Administrator”) for the Facility. The Administrator will be employed or engaged by Manager subject to the approval of Owner. The salary and benefits of the Administrator will be established by Manager and approved in advance by County for the period ending November 30, 2016, and thereafter by Owner. The salary, costs of benefits and expenses of the Administrator will be considered a Facility Operating Cost. Except as may be agreed by Owner, the combined annual salary and benefits, for the Administrator will not exceed \$140,000.00, exclusive of federal, state and local payroll taxes and expenses (SUTA, FUTA, Medicare, FICA, etc.). Under Manager’s supervision, the Administrator will oversee the functional daily operation of the Facility and execution of policies governing the Facility’s operation. Owner shall not recruit, solicit or retain such Administrator or any past Administrator secured by Manager or any employee of Manager within one (1) year following the termination of this Agreement under any circumstances, without the express written consent of Manager. This provision also applies to any other consultant who has provided services to Owner under arrangement with Manager, including those described in Section 3.1.2 and 3.1.3. This provision shall not apply to any Administrator previously employed by County. Manager shall be entitled to seek equitable remedies in addition to any monetary damages arising from the breach of this prohibition.

3.1.2 Personnel. Manager will, on behalf of Owner, oversee management of Facility personnel by Owner’s management employees; oversee employee recruitment, retention, recognition and training by Facility personnel; oversee payroll, salary administration, employee benefits design and administration by Facility personnel. Manager will recommend personnel policies to Owner as needed and instruct Facility personnel to comply with requirements related to worker’s compensation loss control, affirmative action reporting, OSHA or other employee-related reporting or policy-making. Salaries for, and management, retention and release of management level staff will be subject to approval by Owner. Subject to prior approval by Owner, special training or monitoring may be required of Facility personnel by Manager, and the costs of such training or monitoring will be a Facility Operating Cost. As needed, and with Owner’s prior approval, Manager’s staff may provide such special training or monitoring. Manager may also temporarily provide services or arrange for services at the Facility when a position is vacant, at Owner’s expense and in addition to the Management Fee. If in Manager’s sole judgment, and provided Manager has made a reasonable effort to first obtain approval for such expenditures prior to implementation, and if exigent circumstances so require, Manager may implement such substitute staffing, and special training or monitoring

without first obtaining Owner's authorization. For the purpose of this Section 3.1.2 and Section 3.2, "exigent circumstances" means conditions which (1) present imminent or actual harm or risk of harm to residents, staff or the public or (2) may result in penalties or violations of Legal Requirements against the Facility if not immediately remediated. It is anticipated that such interim staffing will be required prior to the beginning of the Term, and provided by HDG under a separate consulting agreement. No later than August 31, 2015 Manager will have identified candidates to permanently fill all staff positions covered under the Interim Staffing Agreement are filled with Owner's employees so that Owner is not paying for Interim Staffing and this Management Agreement. Any such consulting engagement will remain in place following the beginning of the Term of this Agreement, and continue according to its terms, notwithstanding any other provision herein to the contrary.

The Board has the power to negotiate with labor unions (through its Manager) and to recommend adoption to the Rock Island County Board (the "County Board"). Power to enter into collective bargaining agreements is reserved exclusively to the County Board. Owner shall be responsible for obtaining consents and signatures for such agreements from the County Board.

3.1.3 Clinical Consulting, Staff Development, Program Implementation. Manager provides assistance with clinical policy making and provides general clinical consulting support, staff development and implementation of resident programs and operational efficiencies. Clinical consulting projects that may result in additional charges to Owner must be approved by Owner in advance.

3.1.4 Certification, Licensure, Registration, Legal Requirements. On Owner's behalf, Manager will oversee the preparation by Facility personnel of all materials and the compliance with procedures necessary for Owner to retain (a) certification of the Facility as a provider of services under Titles XVIII (Medicare) and XIX (Medicaid) of the Social Security Act and (b) State licensure of the Facility as a long term care facility under all applicable laws. Manager will be allowed assistance of legal counsel and accountants at Owner's expense and with Owner's prior approval to accomplish the foregoing. Manager acknowledges that Owner employs attorneys on staff and will prefer to have Facility legal matters addressed by such counsel when possible, and that all Facility legal services from attorneys not employed by the Rock Island County Attorney's office must be preapproved.

3.1.5 Operational Policies. Manager will on Owner's behalf review existing or, with Owner's review and approval, develop and implement new operational policies and procedures to reasonably conform to then-current industry standards in the areas of budgeting, business office management, quality assurance, human resources, dietary and nursing. Such policies and procedures shall be subject to Owner's approval.

3.1.6 Periodic Reviews and Reports. Manager will on Owner's behalf periodically review the resident care policies, documentation procedures and operational policies used at the Facility to determine if they reasonably conform to then-current industry standards. Manager will prepare monthly periodic written reports concerning its reviews of Facility operations and will provide these reports to Owner. Once annually at a County Board meeting, Manager shall make an in-person report to Owner concerning Facility operations. Subject to Owner's scheduling availability, Manager will meet with the Owner on a monthly basis.

3.1.7 Regulatory Communications. At Owner's direction, Manager will deliver to Owner copies of all communications received from any regulatory agency that could have a material impact on the licensure, certification, or financial performance of Facility or summarize and convey to Owner the contents of such communications.

3.1.8 Additional Services Study. Within the first six (6) months of the Term, Manager will make recommendations for new or expanded services to be provided by the Facility with the goal of revenue enhancement and furtherance of the mission of the Facility, which may include but are not limited to: adult day care, rehabilitation services and dialysis care. Management services for planning, implementation and ongoing oversight for such services shall be subject to additional fees to Manager to be agreed upon in advance by Owner and Manager.

3.1.9 Budget Preparation and Approval. Together with Owner's representative, Manager will prepare and provide to Owner proposed budget and cash flow projections covering the succeeding twelve (12) months, not later than August 1 each year during the Term; provided if this Agreement is not renewed, Manager shall have no obligation under this Agreement to assist Owner on a budget for the following year. The proposed Facility budget will include capital expenditure budgets, operating budgets and cash flow projections. In the event that a budget is not adopted by Owner by the end of the more recently approved budget, Manager shall operate the Facility in conformity with the most recently approved budget until a successor budget has been approved.

3.1.10 Bookkeeping and Accounting. Manager will on Owner's behalf establish and implement budget monitoring systems, and business office bookkeeping and accounting procedures for the preparation of proper financial records. Manager will cooperate with and assist in the preparation of periodic financial statements, audits and tax returns.

3.1.11 Billing and Third-Party Reimbursement. Manager will on Owner's behalf oversee the billing for goods and services provided by the Facility. Manager will establish and implement an accounts receivable monitoring program, consistent with Legal Requirements. Billing and collections will be administered by employees of the Facility, under the oversight of Manager.

3.1.12 Resident Trust Accounts. Manager will on Owner's behalf oversee compliance by Facility personnel with all Legal Requirements applicable to the management of resident trust accounts. Employees of Owner will administer resident trust accounts.

3.1.13 Administrative and Legal Matters. Manager will cooperate with Owner's legal counsel, and through Owner's legal counsel, coordinate all administrative and legal matters related to the operation of the Facility, unless otherwise directed by Owner and except as related to disputes concerning this Agreement and services provided by Manager to Owner.

3.1.14 Legal Notices to Residents. Manager will be responsible for providing legally required notice of this Agreement to residents of the Facility and to the State.

3.1.15 Confidentiality of Facility Records. Manager will maintain the confidentiality of all files and records of the Facility, disclosing the same only as required by applicable state and Federal law. Manager shall comply with Owner's policy concerning confidentiality of health information of patients at the facility. Prior to September 1, 2015 and thereafter as necessary, Owner will provide or arrange for training to Manager's staff concerning compliance with Illinois' Legal Requirements concerning public access to Rock County records to the extent Facility records are subject to such laws. Upon receipt of a request for Facility records under State or Federal laws concerning public access to government records, Manager shall promptly provide such request to Owner for response.

3.1.16 Maintenance and Repairs. Manager will oversee on Owner's behalf day-to-day maintenance of the Facility by Facility personnel and will direct Facility personnel to complete all necessary repairs, replacements and maintenance consistent with the Facility budget. Manager will periodically inspect the Facility and report thereon to Owner along with recommended improvements and estimated costs thereof.

3.1.17 Contracts, Supplies and Equipment. Consistent with budgets approved by Owner and on Owner's behalf, Manager will have the authority to purchase supplies and non-capital equipment necessary and appropriate for the operation of the Facility. Manager will also disclose to Owner any financial arrangement with a vendor that benefits Manager or any affiliate thereof, and Manager will not enter into any such transaction or contract without Owner's approval.

All contracts must be approved in advance by Owner, except if the money for such contract is already approved in the current budget. The execution of all Facility contracts is subject to, and bound by, then-current Rock Island County Purchasing Procedures. Owner is responsible for ensuring compliance with all such Procedures.

Notwithstanding the foregoing, HDG's arrangement for provision of services from "Point Click Care" under the license agreement between PCC and HDG, at the Owner's expense, at the normal and customary charge for such services under HDG's license is authorized.

3.1.18 Ancillary Services. Subject to prior approval by Owner, Manager will either provide or arrange for the provision of ancillary services not covered by this Agreement to the Facility as needed, including without limitation training, construction, and care-related consultants on Owner's behalf, which may include nurse consultants, dietary consultants, occupational health nurses, physician/medical director, and activities, social services and religious consultants. Any such ancillary services provided by Manager will be separately negotiated and contracted for.

3.1.19 Insurance Program Coordination. As directed by Owner, Manager will act as Owner's liaison with Owner's insurance representatives with respect to such legally required insurance coverage for the Facility and such coverages as are required by Owner to be maintained, excluding all such insurance arrangements for which Owner is self-insured. Nothing in this Section 3.1.19 or elsewhere will be interpreted as delegating Owner's responsibilities under Section 5.6 to Manager.

3.1.20 Customer Relations. Manager will oversee the development and implementation of a customer relations program for the Facility, in consultation with established groups representing Facility constituencies, such as family, residents and care providers. This function is not intended to be marketing, but rather is intended to elicit feedback from these constituencies regarding Facility operations. Marketing and promotion services are not provided under this Agreement. Owner hereby directs Manager to annually administer resident and family satisfaction surveys utilizing My Innerview<sup>®</sup> or a similar survey tool.

3.1.21 Advisory Support. Upon Owner's request and Owner's authorization of reimbursement for Manager's direct and indirect production expenses, Manager will provide timely assistance without additional compensation with respect to special requests for graphs, charts and information assimilation, market analysis, business plans, program planning and analysis relating to the Facility initiated by Owner.

3.1.22 Medical Records. Manager shall oversee the preparation and maintenance by Facility nursing staff of adequate and accurate medical records for Facility residents.

3.1.23 Quality Review. Consistent with the Legal Requirements, Manager shall oversee the conduct of specific review and evaluation activities to assess, preserve, insure, and improve the overall quality and efficiency of resident care at the Facility and to assure the provision of a single standard of care for residents with the same

diagnosis where medically appropriate. The Board shall provide whatever administrative assistance is reasonably necessary to support and facilitate the implementation and the ongoing operation of these review and evaluation activities.

3.2 Authority. Manager is authorized on Owner's behalf to perform the services Manager is obligated to perform by this Agreement, including discretionary authority to make up to \$15,000.00 unbudgeted expenditures in exigent circumstances in any given fiscal year provided Manager has first made a reasonable effort to obtain Owner's approval for such expenditures prior to implementation.

3.3 Manager's Designated Representative. For any situation in which pursuant to the terms of this Agreement, Manager is required or permitted to take any action, give any report or make any request to or of Owner, Manager will act by and through Manager's Designated Representative.

3.4 Experience and Criminal Background Checks. Manager shall provide and assign only individuals who have experience with management or consulting services for long term care and senior residents and skilled nursing facilities. Manager will also ensure such individuals meet standards for employment at least as rigorous as those for Illinois nursing homes, including criminal background checks.

3.5 Compliance with Laws Applicable to Nursing Home Managers. Manager shall perform management services in strict compliance with all Federal, State and local laws, regulations, ordinances, directives and licensing requirements as they may pertain to said services.

3.6 Fiscal Accountability. Manager shall document all savings resulting from Manager's involvement to the County, demonstrating how savings were achieved, and describe means for ensuring those savings shall remain in place.

3.7 Deviation from Budget. Subject to Section 3.2, Manager shall be responsible for obtaining any and/or all approvals from the County for all proposed financial and/or operational changes Manager may recommend, as outlined in the Owner's Bylaws and this Agreement.

3.8 Manager's Insurance. Manager will maintain PL/GL insurance coverage with limits of \$1,000,000.00 individual occurrence/\$2,000,000.00 in aggregate on such terms as are customary for enterprises of Manager's type in its geographic location. Manager shall on or prior to the Effective Date, and no more frequently than annually thereafter provide Owner with evidence of such insurance. Manager shall notify Owner in writing promptly whenever with respect to each policy required to be maintained pursuant to this Section 3.8 of this Agreement: 1) the limits of liability have been or are about to become materially impaired, or 2) coverage has been or is about to become materially reduced.



#### **4. PROPRIETARY INTEREST**

The systems, methods, procedures and controls employed by Manager remain the property of Manager and will not, at any time, be used, distributed, copied or otherwise employed or acquired by Owner, except as authorized by Manager. Upon termination of this Agreement, Owner will be entitled to all information relating to bank accounts, resident accounts, cost reports, surveys, employee files and incident files; however, general operational materials kept at the Facility which have been created by Manager and all systems, computer software, programs, employee manuals, procedure manuals, Manager's forms, accounting manuals, budget tracking systems or other proprietary systems, methods, procedures and controls employed by Manager will remain the property of Manager and will be removed from the Facility upon termination of this Agreement. Notwithstanding any of the foregoing, all systems, documents, programs, software or other materials, the acquisition or development cost of which was borne solely by Owner or treated as a Facility Operating Cost will be and remain the sole and exclusive property of Owner. In this Section 4, Facility Operating Costs do not include Management Fees.

#### **5. AUTHORITY, DUTIES AND RESPONSIBILITIES OF OWNER**

5.1 Authority, Designated Representative. At all times, Owner, by and through its governing body, shall retain and exercise the ultimate control and direction of the operations, assets, policy and affairs of the Facility, including all medical, governance, and collective bargaining decisions, policies, and all other matters pertaining to the Facility. Notwithstanding anything herein to the contrary, Owner retains all power and authority mandated by Legal Requirements to be possessed by Owner in its capacity as the licensed operator of the Facility. Notwithstanding the terms of this Agreement, and any legal or administrative proceedings to the contrary, Owner retains all responsibility for Facility operations and is the sole employer of Facility personnel. In any situation in which, pursuant to the terms of this Agreement, Owner will be required or permitted to take any action, give any approval or receive any report, Manager will be entitled to rely upon the written statement of Owner's Designated Representative to the effect that any such action or approval has been taken or given, and delivery of any such report to Owner's Designated Representative will constitute delivery to Owner. In addition to other activities requiring approval of Owner through the Board as set forth in this Agreement, the following activities require approval by the County Board:

5.1.1 The acquisition, purchase, sale, lease, transfer or encumbrance of any real estate or of any substantial part of other assets of Facility.

5.1.2 Any increment or additions to the capital debt or the renegotiation, modification or other change in the existing capital debt obligation of Facility.

5.1.3 Any borrowing not indicated in the capital or operating budgets of Facility.

5.1.4 The adoption of the annual operating and capital budgets of Facility or any changes thereto.

5.1.5 The adoption of collective bargaining agreements.

In addition, the following powers are reserved exclusively to the County Board and any attempted exercise of any such powers by any entity other than the County Board shall not be valid or of any force or effect whatsoever:

- a. To change the mission and purposes of Facility for which it was and is formed and exists.
- b. To approve the recommendation for the members of the Board and to remove the same without cause.
- c. To amend, alter, modify or repeal the Bylaws of the Board.
- d. To merge, consolidate, or affiliate Facility with another corporation, organization or program.
- e. To dissolve or terminate the existence of Facility and to determine the distribution of assets upon such termination or dissolution.
- f. To require a certified audit of Facility at any time and to appoint the fiscal auditor.

5.2 Owner's Approval and Disapproval. Owner will promptly approve or provide itemized disapproval of all budgets, financial data and other responses required to be provided to Manager by Owner pursuant to this Agreement. Except as provided in Sections 3.1.2 and 3.2, if Owner has not responded to a request for approval within such period as is stated herein or, if no period is indicated, within thirty (30) Business Days, or as may be otherwise agreed upon by the Parties, its failure to respond will constitute Owner's denial.

5.3 Access to the Facility. During the Term Owner will give Manager complete access to the Facility, its records and offices in order that Manager may carry out its duties hereunder.

5.4 Liability for Facility Operating Costs. Owner will be liable for all Facility Operating Costs, including without limitation all fines, civil monetary penalties or late filing penalties. At no time will Owner permit aging of accounts payable beyond sixty (60) days. Owner will deposit funds in Owner's bank accounts utilized for payment of operational expenses and make such payments to ensure prompt payment of Facility payables. Notwithstanding the foregoing at no time will payment of Management Fees be delayed under this section, payment in advance of such Management Fees being a material term of this Agreement. Further, notwithstanding the foregoing at no time will payment of invoiced expenses of Manager for Administrator costs described in Section 3.1.1 and for payments under Section 9.4 be delayed under this section, payment within ten (10) days of receipt of invoice being a material term of this Agreement.

5.5 Inspection. Owner has the right at all times to inspect the Facility and to review all books and records located at the Facility pertaining to its operation.

5.6 Insurance. This Section 5.6 applies only to the extent Owner does not self-insure with respect to a given category of risk listed below. Owner represents that as of the Effective Date, Owner is self-insured as to all categories of risk listed below. Owner will

maintain at its sole cost and expense insurance covering all risks normally insured by similar long term care facilities, including commercial general liability insurance in an amount usual and customary in Illinois for long term care facilities; professional liability insurance in an amount equal to or greater than an amount usual and customary in Illinois for long term care facilities; employment practices, employee benefits, auto and fiduciary liability insurance in an amount usual and customary in Illinois for long term care facilities; and statutorily required coverages, including workers' compensation with respect to employees of the Facility. Each of the limits of insurance specified above may be satisfied by any combination of primary or excess/umbrella liability insurance policies as long as at least one policy provides a duty to defend or advance defense costs.

5.6.1 Naming Manager Named Insured. Not later than Effective Date, Owner shall cause Manager to be named as a named insured on each liability insurance policy required to be maintained pursuant to this Section 5.6 of this Agreement. Each such policy shall require that no cancellation, termination or non-renewal shall be effective except on at least thirty (30) days prior written notice to Manager. All coverages must be issued by an insurance company approved to do business in the state where the Facility is located, and each such policy shall be in standard form or approved by Manager in writing. The deductible or self-insured retention for each such policy shall not exceed One Hundred Thousand Dollars (\$100,000) unless prior written approval is requested and obtained from Manager. Each such Owner's policy shall be primary, without right of contribution and shall not contain any cross-suits exclusion between Owner and Manager. Each of Manager's insurance policies shall be excess and non-contributory.

5.6.2 Owner to Continue Claims Made Liability Insurance Policies Upon Termination or Expiration of This Agreement. If the liability insurance maintained by Owner at any time during the Term is not occurrence-based, upon termination of this Agreement, Owner shall pay for tail coverage for and acceptable to Manager at the limits and upon terms comparable to the most favorable terms that applied during the Term. In the alternative Manager shall be named additional insured on Owner's claims made policy for the Facility for the length of any applicable statute of limitations. If such claims made coverage is cancelled or otherwise terminated prior to the end of such statute of limitations period, or if Owner is self-insured at the time of termination or expiration of this Agreement, then Owner shall provide the tail coverage for Manager.

5.6.3 Evidence of Insurance. On or before Effective Date and annually thereafter, Owner will provide Manager with evidence of the issuance and existence of each such policy required to be maintained pursuant to Section 5.6 of this Agreement. Evidence of insurance shall be in the form of a Certificate of Insurance. In addition, Owner will provide a full copy of each policy required to be maintained pursuant to this Section 5.6 as and when reasonably requested by Manager.

5.6.4 Notice of Material Change, Impairment or Reduction of Insurance. Owner shall notify Manager in writing promptly whenever with respect to each policy required to be maintained pursuant to Section 5.6 of this Agreement: 1) the limits of liability have been or are about to become materially impaired, or 2) coverage has been or is about to become materially reduced. Upon such notice or at any time two (2) or more years after Effective Date if changes are advisable due to inflation, increases in risk or other factors within the sole discretion of Manager, Manager may request that Owner replenish or increase limits or add coverage. In that event, Owner shall immediately procure increased limits or added coverage or both to the extent reasonably specified by Manager..

5.6.5 Waiver of Rights Including Subrogation. Owner and Manager, including their respective present and former officers, directors, employees and agents, each hereby waive all rights, whether by subrogation or otherwise, that they may have against the other for expenses, losses or damages that are actually paid by any liability insurance policy maintained by either Owner or Manager.

5.6.6 Insurance Claims. Owner must give timely notices to its applicable insurers and Manager and cooperate with insurers and Manager regarding any claims and, where advisable and required or permitted by applicable policy terms, give notice to insurers and Manager of knowledge of facts or circumstances that reasonably may give rise to a claim. In the event Owner fails or refuses, Manager shall have the right but not the obligation to give any of such notices to insurers on behalf of Owner.

5.7 Owner's Cooperation. Owner will fully and timely cooperate with Manager in connection with Manager's efforts to comply with the terms of this Agreement. During the Term and thereafter Owner will cause its Facility staff, finance, accounting and legal representatives to provide any support reasonably requested by Manager in the performance of Manager's duties hereunder.

5.8 Payment of Management Fees, Reimbursement and Payment of Charges. Owner will timely pay Manager the Management Fees. Owner will reimburse Manager on a monthly basis, in arrears for all charges which are Owner's responsibility under this Agreement to the extent Manager has incurred such expenses on Owner's behalf or performed additional services outside the scope of this Agreement, all in accordance with Section 9.4.

5.9 Indemnification. Manager does not hereby assume any of the obligations, liabilities or debts of Owner, and will not, by virtue of its performance hereunder, assume or become liable for any of such obligations, debts or liabilities. Owner hereby agrees to indemnify, hold Manager harmless, including Manager's present and former officers, directors, employees and agents, parent, subsidiary and affiliated entities from and against any and all claims, actions, liabilities, expenses, losses or damages of any nature whatsoever, excluding

attorneys' fees and expenses, asserted against or incurred by Manager arising out of or resulting from any actual or alleged obligations, acts, liabilities or debts of Owner. To the fullest extent permitted by applicable law, excluding attorneys' fees and expenses, Owner further hereby agrees to indemnify and hold Manager harmless, including Manager's present and former officers, directors, employees and agents, parent, subsidiary and affiliated entities from and against any and all claims, actions, liabilities, expenses, losses or damages of any kind including for death, bodily injury, property damage, or violations of state, local or federal statutes, rules, regulations or ordinances, arising out of or resulting from actual or alleged acts or omissions by Manager, including its present or former officers, directors, employees and agents, parent, subsidiary and affiliated entities that Manager or such person or persons reasonably believed to be within the scope of or related to Manager's obligations and rights under this Agreement. Owner understands and agrees to undertake these obligations regardless of whether or not the person asserting the claim or action is or was an employee of Manager. Owner's obligation hereunder shall not be limited by the operation of a workers' compensation act, disability act or any employee benefit act.

Manager shall indemnify and save harmless Owner, the County, its employees and agents, from and against all claims, damages, losses and expenses (excluding without limitation, attorneys' fees and expenses) arising out of, or in consequence of, any negligent or intentional act or omission of Manager, its employees or agents, to the extent of its or their responsibility for such claims, damages, losses and expenses.

Owner shall notify Manager in writing promptly in the event Owner terminates or materially alters any of its self-insurance arrangements and provide Manager details of Owner's replacement arrangements sufficient in Manager's reasonable discretion to establish Owner's compliance with Section 5.7. Owner shall also notify Manager in the event that there is any material change in Owner's re-insurance arrangements for self-insurance purposes.

## **6. TERM OF AGREEMENT**

The Term of this Agreement will begin August 1, 2015 and continue through November 30, 2018 ("Original Term"), unless canceled or terminated as provided in this Agreement. At its option, Owner may renew this Agreement for an additional three (3) year term ("Renewal Term") by giving written notice of intent to renew no earlier than June 1, 2018 and no later than July 1, 2018. "Term" includes the Original Term, Baseline Period, Renewal Term, and all Term Years. If Owner gives such notice, then no later than September 1, 2018 the Parties shall agree on compensation to Manager, and if agreement cannot be reached then this Agreement shall terminate at 5 p.m. on November 30, 2018.

This Agreement will automatically renew after the Original Term or the Renewal Term, as applicable, for successive one-year terms ("Extension Term") unless either Party gives written notice of intent not to renew no earlier than June 1, 2018 and no later than July 1, 2018 in the case of the Original Term, and no earlier than June 1, 2021 and no later than July

1, 2021 in the case of the Renewal Term, and no earlier than June 1 and no later than July 1 in the case of Extension Terms, provided in each case the Parties can agree upon compensation to Manager no later than the September 1 of the same year. If such agreement cannot be reached then this Agreement shall terminate at 5 p.m. on November 30.

## **7. TERMINATION OF AGREEMENT**

7.1 Termination. This Agreement may be terminated at any time under the following circumstances.

7.1.1 Insolvency. On ten (10) days' prior written notice if either Party hereto shall (1) apply for or consent to the appointment of a receiver, trustee, liquidator or similar official for all or a substantial part of its assets; (2) file a voluntary petition in bankruptcy or admit in writing its inability to pay its debts as they come due; (3) make a general assignment for the benefit of creditors; (4) file a petition or answer seeking an order for relief, a reorganization or an arrangement with creditors or to take advantage of any insolvency law; (5) become subject to an order, judgment or decree entered by any court, on the application of a creditor or otherwise, adjudging such Party as bankrupt or insolvent or appointing a trustee, liquidator or similar official, and such order, judgment or decree shall continue unstayed and in effect for thirty (30) consecutive calendar days; (6) if appropriations are not timely made to meet the requirements of this Agreement, including Manager's payments due hereunder and reasonably prudent operation of the Facility or Owner fails to give an approval requested under Section 5.2 that Manager believes will result in the Facility not being operated in a reasonably prudent manner or (7) otherwise cease to meet its financial obligations in the ordinary course of business, then the other Party may terminate this Agreement by giving written notice thereof.

7.1.2 Uncorrected Material Breach. In the event either Party shall fail to discharge any of its non-financial material obligations hereunder, and if after using their respective best efforts to address reasonable concerns regarding Manager's performance of its obligations under this Agreement, Owner and Manager are unable resolve those concerns, and such default shall continue for a period of forty five (45) days after the other Party has served notice of default, this Agreement may then be terminated at the option of the non-breaching Party by notice thereof to the breaching Party. No termination shall occur so long as attempts to cure the default are commenced within the forty five (45) day period and are continuing in good faith, even if the curing process extends beyond the forty five (45) day period. Manager may terminate this Agreement on ten (10) days' prior notice, except in cases of written agreements consenting explicitly to deferral of collection of amounts owing under this Agreement, in the event of Owner's failure to timely pay Manager amounts invoiced under this Agreement.

7.1.3 Destruction or Damage to Facility. On thirty (30) days' prior written notice if the Facility or any substantial portion thereof shall be damaged or destroyed by fire or other casualty, and if Owner fails to commence to repair, restore, rebuild, or replace any such

damage or destruction within a reasonable time period after such destruction or shall fail to complete such work within a reasonable period of time, then this Agreement may be terminated by either Party.

7.1.4 Fraud, Misrepresentation or Gross Mismanagement. On thirty (30) days' prior written notice either Party may terminate this Agreement upon a finding by any court having jurisdiction that the other Party has engaged in fraud, misrepresentation, or gross mismanagement within the State.

7.1.5 Manager's Strategy and Owner's Goals. Manager may at its option terminate this agreement upon ninety (90) days' prior written notice if in Manager's opinion Owner fails or refuses to support Manager's strategy or fails or refuses to adequately fund Owner's goals for the Facility. Owner may at its option terminate this agreement upon ninety (90) days' prior written notice if in Owner's opinion, Manager fails to comply with Owner's strategy or financial goals for the Facility.

7.1.6 Changes to Third Party Payor Plans or Programs. At Manager's option, in the event of reductions in payment from or changes to third party payor programs or plans, Manager may request renegotiation of the Management Fee hereunder. If Owner and Manager are unable to agree upon a mutually acceptable Management Fee, Manager may terminate this Agreement on forty five (45) days' prior written notice.

7.1.7 Program Exclusion. On ten (10) days' prior written notice if either Party or any of their respective representatives, officers, directors, members, contractors, subcontractors, agents or employees is or is found to have been (i) excluded, debarred, suspended or otherwise disqualified from participating in any program maintained by any governmental payor (or any such exclusion, suspension or disqualification is pending or threatened), or (ii) convicted of a criminal offense that falls within the scope of 42 U.S.C. § 1320a-7a but has not yet been excluded, debarred, suspended or otherwise declared ineligible, the other Party may terminate this Agreement.

7.2 Pre-Termination Costs: Upon termination or expiration of this Agreement, Owner will pay within sixty (60) days of such termination, all unpaid invoices for goods and services incurred by Manager on Owner's behalf prior to such termination pursuant to this Agreement and will assume, as of the date of termination, responsibility for all financial obligations incurred by Manager pursuant to this Agreement. This will include payment of balances on leases entered into on behalf of Owner for equipment, including without limitation computer hardware and software. Manager will be entitled to its Management Fee earned through the effective date of termination.

7.3 Notice of Termination and Transition Upon Termination and Expiration.

7.3.1 Reserved.

7.3.2 Reconciliation and Payment. Within sixty (60) days following expiration or the effective date of termination of this Agreement, Owner and Manager will reconcile amounts due under this Agreement and payment will be made immediately. Any amounts not determinable at that time will be reconciled as soon as feasible thereafter.

7.3.3 Transition Services. Services provided by Manager after the effective date of termination shall be invoiced to and paid by Owner at Manager's then-applicable hourly rates. Reimbursement of Manager's costs and expenses on the then-applicable terms shall also apply. Any such transition services provided by Manager will be separately negotiated and contracted for.

7.4 Reserved.

7.5 Access to Records. Following expiration or termination of this Agreement for any reason, Owner shall cooperate fully with Manager and shall make available to Manager as reasonably requested and at Manager's expense, all information, records or documents relating to claims and litigation or potential claims and litigation against Manager, its officers, directors, employees and agents, and shall preserve all such information, records and documents (to the extent in their possession) until the later of (1) the end of retention period required by law and (ii) the expiration of any applicable statute of limitations or extensions thereof.

7.6 Termination Before October 1, 2016. If this Agreement is terminated by Owner for any reason before October 1, 2016 of the Term, then Owner shall pay Manager a fee in the amount of \$40,000.

7.7 Appropriations. This Agreement is approved and funded contingent upon annual appropriations being established by the local governing body of Rock Island County to provide funding necessary to meet the requirements of this Agreement. Such funding is approved on a fiscal year basis with the fiscal year commencing December 1st and terminating November 30th. In order for this Agreement to remain in effect, such appropriation must be approved on an annual basis throughout the term of this Agreement. In the event that an annual appropriation is not approved, Rock Island County shall not be held responsible for any liabilities incurred after the remaining annual term of this Agreement prior to the new budget year.

## **8. PREVENTION OF PERFORMANCE**

No party will be liable to the other for any delay or damage or any failure to act (other than payment of money) by reason of federal, State or local laws or the rules, regulations or orders of any public body or official purporting to exercise authority or control respecting the operations covered hereby, or as a result of strikes or other labor activities, action of the elements, acts of God or other causes beyond the control of the parties, and delay as a result



of the above causes will not be deemed to be a breach of or failure to perform under this Agreement.

## **9. MANAGEMENT FEE**

9.1 Start Up Fee. Preparatory activities for the performance of this Agreement by Manager are typically available from Manager's consulting practice at an hourly rate. A special consideration for the purpose of this Agreement means those services will be billed to and paid by Owner in a lump sum of \$20,000.00 on or before August 1, 2015. The start up fee is reflected in Attachment A.

9.2 Management Fee/Incentive Payments/Credits and Reconciliation. The Management Fees for August and September 2015 will be paid on or before September 30, 2015. The Management Fees for October and November will be paid on or before November 30, 2015. Thereafter, including the December 2015 Management Fee, the Management Fee will be payable to Manager in advance on or before the first (1st) day of each calendar month for the current month. During the Original Term, Owner will pay Manager a Management Fee as set forth on Attachment A. Thereafter, the Management Fee shall be mutually agreed upon as set forth in Article 6.

9.3 Corporate Home Office Expenses of Manager. Owner will not be obligated to reimburse Manager for any of Manager's corporate home office expenses incurred in connection with this Agreement, except as herein expressly provided, or as otherwise agreed by the Parties.

9.4 Reimbursable Expenses of Manager. Owner will reimburse Manager for Manager's reasonable out of pocket expenses incurred by Manager with Owner's prior approval in connection with this Agreement and paid to third parties. Such expenses may include, without limitation, amounts advanced to Owner for payments of recruitment and finder's fees, license fees, fees of Owner's lawyers and accountants, information technology consultants, regulatory review consultants, business office management consultants, engineers, deposits on leases or purchase of equipment, environmental and engineering reports. Manager will provide Owner with itemized statements of such expenses and payment shall be due within sixty (60) days of receipt.

9.5 Late Payment. Late payments shall accrue interest at the maximum rate allowed under the Illinois Local Government Prompt Payment Act as it may be amended, replaced or superseded from time to time.

## **10. NOTICES**

Except as provided in Section 7.3.1, all notices required or permitted hereunder, including notices of non-renewal, will be given in writing by personal delivery or by certified mail, postage prepaid. Notice will be deemed given upon personal delivery, or if given by mail,

will be deemed given five (5) Business Days after the mailing of such notice. Notice will be given by transmitting, delivering or mailing such notice to each of the persons named below at the following addresses or to such other persons or addresses as a party designates in writing. Any Party may change such address by written notice to the other Party as provided herein.

If to Manager: Craig Abbott  
Health Dimensions Consulting, Inc.  
4400 Baker Road  
Suite 100  
Minneapolis, MN 55343

If to Owner: Ken Maranda  
County Board Chairman  
1504 Third Avenue  
Rock Island, IL 61201-8624

Either Party may waive written notice it is entitled to receive by providing, on the day notice is provided, faxed or electronically transmitted confirmation of such waiver to the Party giving such notice.

## **11. RELATIONSHIP OF PARTIES**

Manager's appointment and actions hereunder are in the status of an independent contractor. Owner and Manager acknowledge and agree that neither is the employee or the employer of the other, and that they are not partners or joint venturers. Nothing in this Agreement will be construed as a lease between Owner and Manager.

## **12. ENTIRE AGREEMENT**

Each Party hereby warrants and represents to the other that prior to the execution of this Agreement such Party (1) has fully informed itself as to the terms, contents, provisions and effects of this Agreement, (2) has had the benefit of the advice of an attorney and such other consultants deemed appropriate by such Party and (3) has neither made nor accepted any promise of representation of any kind, whether written or oral, that is to form a basis of this Agreement, except as is expressly stated herein. This Agreement by the Parties will constitute, exclusively and entirely, the agreement among the Parties. All prior representations or agreements, written or oral, between or on behalf of the Parties hereto are merged herein and superseded hereby. No changes or additions to this Agreement will be recognized unless made in writing and signed by the Parties hereto.

## **13. AUDITS AND ACCESS TO RECORDS**

13.1 Owner will be entitled to audit records of Manager pertaining to the Facility, which

will include without limitation accounting records, written accounting policies and procedures, subcontract files (including proposals of successful and unsuccessful bidders), original estimates, estimating worksheets, correspondence, change order files (including documentation covering negotiated settlements), and any other supporting evidence deemed necessary by the auditor to substantiate charges for services provided by or through Manager under this Agreement, including, but not limited to, reimbursement for expenses (all the foregoing hereinafter referred to as "Facility Records"). Facility Records will be open to inspection and subject to audit and/or reproduction, during normal working hours, by Owner's agent and/or appropriate federal agencies or their duly authorized representatives to the extent necessary to permit adequate evaluation and verification of any invoices, payments or claims submitted by Manager. For the purpose of such audits, inspections, examinations and evaluations, Owner's agent or authorized representative will have access to all Facility Records from the Effective Date, for the Term, and until seven (7) years after date of final payment by Owner to Manager pursuant to this Agreement; or in lieu of the same, Manager may deliver all Facility Records to Owner upon termination of this Agreement.

13.2 Owner's agents will have access to all necessary records, and will be provided adequate and appropriate workspace, in order to conduct audits or exercise rights of access in compliance with this Section 13. Owner will give Manager reasonable advance notice of intended record reviews.

13.3 Anything herein to the contrary notwithstanding, Manager agrees that, until the expiration of four (4) years after the furnishing of services pursuant to this Agreement, it will, if required by Section 1861 (v)(1)(I)(ii) of the Social Security Act (ref. 42 CFR Sec. 420.302), make available its books, documents and records to the Department of Health and Human Services, Comptroller General and their duly authorized representatives and will insert the clause required by such Section in all subcontracts.

If Manager carries out any of the duties of this Agreement through a subcontract, with a value or cost of \$10,000 or more over a twelve month period, with a related organization, such subcontract shall contain a clause to the effect that until expiration of four years after the furnishing of such services pursuant to such subcontract, the related organization shall make available, upon written request to the Secretary or upon request to the Comptroller General, or any of their duly authorized representatives, the subcontract, and books, documents, and records of such organization that are necessary to verify the nature and extent of such costs. In addition, Manager agrees to make available to Owner such information and records as Owner may reasonably request to facilitate Owner's compliance with the Medicare conditions of participation and to facilitate Owner's substantiation of its reasonable costs in accordance with the requirements applicable to Owner pursuant to 42 C.F.R. Subpart D of Part 405 and Subpart C of Part 420.

## **14. NONDISCRIMINATION**

So long as required by federal law in compliance with Section 503 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 793), which requires federal government contractors and subcontractors to take affirmative action to employ and advance in employment qualified individuals with disabilities, the clause set forth at 41 CFR 60-741.5(a) is incorporated by reference as though fully set forth herein. So long as required by federal law, in compliance with the Vietnam Era Veterans' Readjustment Assistance Act of 1974, as amended (38 U.S.C. 4212, or VEVRAA) including the Jobs for Veterans Act (PL 107-288), which requires Government contractors and subcontractors to take affirmative action to employ and advance in employment qualified special disabled veterans and veterans of the Vietnam era, the clause set forth at 41 CFR 60-300.5(a) is incorporated by reference as though fully set forth herein. So long as required by federal law, in compliance with the Executive Order 11246 parts II, III, and IV, as modified, for the promotion and insuring of equal opportunity for all persons, without regard to race, color, religion, sex, or national origin, employed or seeking employment with Government contractors, the clause set forth at 41 CFR 60-1.4(a) is incorporated by reference as though fully set forth herein.

## **15. MISCELLANEOUS**

15.1 Waiver/Breach. The waiver of a breach of any term or condition of this Agreement will not be deemed to constitute a waiver of a subsequent breach of the same, or a breach or subsequent breach of any other term or condition.

15.2 Severability/Survival. In the event any provision of this Agreement is held to be unenforceable for any reason, the unenforceability thereof will not affect the remainder of this Agreement, which will remain in full force and effect and enforceable in accordance with its terms. Indemnification obligations and obligations to provide tail coverage, and any other provision which by their terms require performance after termination, shall survive the termination of this Agreement.

15.3 Further Assurances. Each Party will promptly and duly execute and deliver to the other such further documents and assurances and take such actions as such Party may reasonably request in order to more fully carry out the intent and purposes of this Agreement.

15.4 Time of Essence. Time is of the essence in this Agreement and in the observance of each and every covenant and obligation made and created hereby.

15.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be an original, facsimile or electronic record, and all such counterparts together will constitute but one and the same instrument.

15.6 Authorization. Each Party represents to the other with respect to itself that the execution and performance of this Agreement have been duly authorized by all necessary laws, resolutions, corporate and other action, and this Agreement constitutes the valid and enforceable obligations of the Parties in accordance with its terms.

15.7 Captions. The captions used herein are for convenience of reference only and will not be construed in any manner to limit or modify any of the terms herein.

15.8 Choice of Law. This Agreement will be governed by and construed in accordance with the laws of the state of Illinois.

15.9 Assignment. No Party will have the right to assign its rights and obligations under this Agreement without the prior written consent of the other Party. Provided however, Manager may assign this Agreement pursuant to a reorganization of Manager, or to a subsidiary, parent or other related entity or transfer of stock or assets of Manager without first obtaining Owner's consent.

15.10 Interpretation. In the event of any discrepancy, disagreement or ambiguity among the County's RFP for management services for the Facility, this Agreement the Manager's response to the RFP and their respective incorporated documents, the documents shall be given preference in the following order to interpret and to resolve such discrepancy, disagreement or ambiguity: 1) this Agreement; 2) the RFP; 3) Manager's response to the RFP.

## **15. STATEMENT OF INTENT**

The Parties expressly acknowledge that this Agreement has been negotiated and entered into with the full intent of complying with the pertinent provisions of the Internal Revenue Code of 1986 (the "Code") and the Regulations promulgated thereunder, the Medicare and Medicaid anti-kickback statute, 42 U.S.C. Section 1320a-7b(b) (the "Fraud and Abuse Law") the Stark Law, and the Health Care Financing Administration's Conditions of Participation for Home Health Care Agencies. In the event that any law is adopted or amended (including, without limitation, the Code, the Fraud and Abuse Law, the Stark Law and HCFA's Conditions of Participation) or any rule or regulation is promulgated or modified, or any administrative ruling or judicial interpretation is issued or modified relating the provision of goods or services to beneficiaries of the Medicare and Medicaid programs and other payers, the Code or otherwise that prohibit structural and/or operational arrangements similar to those contemplated by this Agreement, or that approve of structural and/or operational arrangements with which the Parties reasonably determine they should comply, the Parties shall attempt to renegotiate and restructure this Agreement in a manner intended to comply with any such law, rule, ruling, regulation of interpretation. If the Parties fail to mutually agree upon a restructuring of this Agreement, then either Party may terminate this Agreement upon fifteen (15) days' prior written notice.

**[The remainder of this page is intentionally left blank.]**

**[Signature pages follow]**

IN WITNESS WHEREOF, the Parties have hereto caused this Agreement to be duly executed, as of the day and year first above written.

Health Dimensions Consulting, Inc.

By: \_\_\_\_\_  
Craig Abbott, CEO

By: \_\_\_\_\_

Its: \_\_\_\_\_

## Attachment A

### 1. Schedule of Management Fees

TABLE 1

<b>BASE ANNUAL (FY) MANAGEMENT FEES</b>			
Baseline Period	\$40,000.00 (monthly) + \$20,000.00 start up	\$180,000.00 (partial year)	Incentive/Credit Does Not Apply Yet
Term Year 2016	\$40,000.00 (monthly)	\$480,000.00 (annual)	Incentive/Credit Applies
Term Year 2017	\$40,000.00 (monthly)	\$480,000.00 (annual)	Incentive/Credit Applies
Term Year 2018	\$40,000.00 (monthly)	\$480,000.00 (annual)	Incentive/Credit Applies

TABLE 2

<b>ANNUAL (FY) INCENTIVE/CREDIT FEES</b>		
Baseline Period		Incentive/Credit Does Not Apply Yet
December 2015	\$120,000.00 (one time)	AR Incentive applies
Term Year 2016	\$250,030.00 (annual)	Incentive/Credit Applies
Term Year 2017	\$249,600.00 (annual)	Incentive/Credit Applies
Term Year 2018	\$249,600.00 (annual)	Incentive/Credit Applies

Combined Maximum Fees for Term of Agreement = \$2,489,230.00

### 2. Calculation and Payment of Credit/Incentive Fees

2.1 Baseline Measures. During the Baseline Period, Manager will have an opportunity to positively affect operations, and to establish baseline results for certain measures. Thereafter, Manager may see the base management fee reduced, or receive an additional payment, depending on facility performance.

2.2 Payment/Credit as to Annual Targets. If a required incentive benchmark is met, Owner will pay Manager the applicable incentive (calculated as described in Section 4 of this Attachment A) for that particular benchmark, no later than thirty-one (31) days after the County fiscal year ends. If a required incentive benchmark is not met, Manager will pay Owner the applicable credit (calculated as described in Section 4 of this Attachment A) for that particular benchmark, by applying a credit for the applicable amount to the Base Management Fee due beginning with the first month following the end of the County fiscal year, and continuing until the credit has been paid.



2.3 Payment of AR Incentive. The AR Incentive shall be paid no later than thirty-one (31) days after the County fiscal year ends, calculated as described in Section 3 of this Attachment A.

2.4 Payment of Incentive/Credits on Termination or Expiration. If this Agreement expires or is terminated by either Party under Article 7, the incentive/credit payments shall be due within sixty (60) days of the effective date of the termination or expiration. If this Agreement is terminated and the effective date is not the end of a Term Year, then the incentive/credit will be prorated based on the number of days in the current Term Year prior to the effective termination date, compared with the total number of days in the current Term Year.

### 3. Accounts Receivable Incentive

Owner shall pay Manager an incentive fee (“AR Incentive”) of up to \$120,000.00 in connection with performance related to collection of the Facility’s accounts receivable (“AR”) during the Baseline Period. The AR Incentive shall equal sixty percent (60%) of the cash receipts (“Cash Receipts”) for the Baseline Period to the extent such cash receipts exceed \$4,600,000.00 (up to a maximum AR Incentive of \$120,000.00).

For example: Assume Cash Receipts for the Facility between August 1, 2015 and November 30, 2015 are \$5,400,000.00. The amount upon which the AR Incentive will be calculated is \$5,400,000.00 minus \$4,600,000.00, or \$800,000.00. The potential AR Incentive is 60% of \$800,000.00, or \$480,000.00. However, because the AR Incentive is capped at \$120,000.00, the AR Incentive payable to HDG is \$120,000.00. Second example: Assume Cash Receipts for the Facility between August 1, 2015 and November 30, 2015 are \$4,800,000.00. The amount upon which the AR Incentive will be calculated is \$4,800,000.00 minus \$4,600,000.00, or \$200,000.00. The potential AR Incentive is 60% of \$200,000.00, or \$120,000.00. Because the AR Incentive is capped at \$120,000.00, the AR Incentive payable to HDG is \$120,000.00.

“Cash Receipts” for the Baseline Period (1) exclude intergovernmental transfers, and (2) exclude any deductions including without limitation, “bed-tax” or similar state or federal charges, and excluding Medicare, Medicaid, and all other payor audit charge-backs, offsets or other demands for recoupment attributable to periods outside of the Baseline Period.

Additional allowances or exclusions to Cash Receipts will be made by mutual agreement of the Parties for anomalies related to the Facility (including periods of operation prior to Manager’s engagement), including exclusion of expenses of collection and other extraordinary expenses, and including without limitation changes in Legal Requirements. Reductions in Cash Receipts due to fraud or other misconduct not attributable to HDG will not be charged against Cash Receipts for the purpose of this calculation.

#### 4. Annual Credit/Incentive Targets

Except for the net income target, each of the following target areas is allocated ten percent (10%) of the Incentive Credit payment for the applicable Term Year as shown in Section 1, Table 2 of this Attachment A. For Term Year 2016, this amount is \$25,003.00 annually per target; for Term Years 2017 and 2018, this amount is \$24,960.00 annually per target.

The net income target is allocated sixty percent (60%) of the Incentive Credit payment for the applicable Term Year as shown in Section 1, Table 2 of this Attachment A. For Term Year 2016, this amount is \$150,018.00 annually; for Term Years 2017 and 2018, this amount is \$149,760.00 annually.

4.1 Regulatory Outcomes. The Regulatory Performance incentive/credit will be based on Facility regulatory performance for a given Term Year. The regulatory goal is (a) no G or higher level citations during the given Term Year, and (b) the number of overall citations/deficiencies at or below the state average for Illinois in the annual licensure and certification survey process, excluding Life Safety Code citations. In the event that the Facility receives no G level citations (or above) and if the Facility is at or below the average number of citations/deficiencies per annual licensure and certification survey, Manager will receive the Regulatory Performance incentive for the applicable Term Year. In the event that the Facility receives a G level citation (or above) and if the Facility receives citations/deficiencies per annual licensure and certification survey in excess of the state average for Illinois, a credit to the Base Management Fee for the applicable Term Year will be owed to Owner by Manager.

4.2 Resident/Family Satisfaction. Annually as directed by Owner in Section 3.1.20 of this Agreement, Manager will administer resident and family satisfaction surveys utilizing My Innerview<sup>®</sup> or a similar survey tool. Manager will be eligible for an incentive or subject to a credit to the Base Management Fee based on the averaged results of each survey for a given Term Year. During the Assessment Term, Manager will administer the initial satisfaction surveys to establish a baseline level for resident and family satisfaction. The annual overall satisfaction goal for Term Year 2016 will be established no later than finalization of the annual budget for the pending Term Year, acceptance of the survey results, and final approval by Owner. Manager must exceed the baseline survey measures as established by mutual agreement between Owner and Manager in order to receive this incentive.

4.3 Occupancy. Occupancy benchmarks will be mutually agreed upon between Owner and Manager during the budgeting process for Term Year 2016, and similarly for subsequent Term Years. Manager must meet or exceed the occupancy benchmarks in order to receive this incentive. For any Term Year for which the occupancy target is met, Manager will be entitled to the applicable annual incentive. For any Term Year for which the occupancy target is not met, Owner will be entitled to the applicable annual credit.

4.4 Net Income. Net income benchmarks will be mutually agreed upon between Owner and Manager during the budgeting process for Term Year 2016, and similarly for subsequent Term Years. For any Term Year for which the net income target is met or exceeded, Manager will be entitled to the applicable annual incentive. For any Term Year for which the net income target is not met, Owner will be entitled to the applicable annual credit. Allowances or exclusions will be made by mutual agreement of the Parties for expenses allocated to the Facility by Owner outside of historic norms (including periods of operation prior to or after Manager's engagement), expenses related to periods outside of the Term, and extraordinary expenses not reasonably foreseeable during the budgeting process and/or expenses outside of Manager's control, including without limitation changes in Legal Requirements. Without limitation, allowances and exclusions will also (1) exclude intergovernmental transfers, and (2) exclude any deductions including without limitation, "bed-tax" or similar state or federal charges, and excluding Medicare, Medicaid, and all other payor audit charge-backs, offsets or other demands for recoupment attributable to periods outside of the Baseline Period. Manager must meet or exceed the mutually agreed upon net income benchmarks to receive this incentive.

4.5 Medicare/Non-Medicaid Managed Care Patient Days. Medicare/non-Medicaid managed care ("Managed Care") patient days benchmarks will be mutually agreed upon between Owner and Manager during the budgeting process for Term Year 2016, and similarly for subsequent Term Years. For any Term Year for which the Managed Care patient days target is met or exceeded, Manager will be entitled to the applicable annual incentive. For any month for which the Managed Care patient days target is not met, Owner will be entitled to the applicable annual credit. Manager must meet or exceed the mutually agreed upon Medicare/Non-Medicaid Managed Care Patient Days benchmark to receive this incentive.