

Roate, George

From: Fred.Segovich [Fred.Segovich@Carle.com]
Sent: Tuesday, April 24, 2012 12:53 PM
To: Roate, George
Cc: Constantino, Mike; 'Kara Friedman'; 'Anne Cooper'; Fred.Segovich
Subject: RE: E-002-12 Hoopeston Community Memorial Hospital
Attachments: Exemption Application Letter April 20, 2012.pdf; Affiliation Agreement April 23, 2012.pdf

RECEIVED

APR 24 2012

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Good afternoon Mr. Roate;

Attached please find the following PDF files:

- A letter covering items 1, 2, and 3 below.
- The affiliation agreement, covering item 4 below.

Hard copies of these two items are being sent to you via Federal Express today, and should arrive tomorrow.

Regards,

Fred Segovich

From: Roate, George [mailto:George.Roate@Illinois.gov]
Sent: Wednesday, March 28, 2012 11:53 AM
To: Fred.Segovich
Cc: Constantino, Mike; Snodgrass, Jan; 'Kara Friedman'; 'Anne Cooper'
Subject: RE: E-002-12 Hoopeston Community Memorial Hospital

Mr. Segovich, Ms. Friedman, Ms. Cooper:

Further analysis of the Exemption application has uncovered the following deficiencies/missing items:

- 1) A statement attesting that all services currently provided at the hospital will not substantially change for at least 12 months following completion of the proposed transaction.
- 2) The party assuming control of the health care facility will not adopt a more restrictive charity care policy as a result of the transaction.
- 3) There will be no change resulting in the restriction of patient admissions, or reductions in access to care.
- 4) A complete transaction document for said change of ownership.

The application is tentatively scheduled to be heard at the June 5, 2012 meeting of the Illinois Health Facilities and Services Review Board meeting.

From: Fred.Segovich [mailto:Fred.Segovich@Carle.com]
Sent: Wednesday, March 28, 2012 8:39 AM
To: Roate, George
Cc: Constantino, Mike; Snodgrass, Jan; 'Kara Friedman'; 'Anne Cooper'; Fred.Segovich
Subject: RE: E-002-12 Hoopeston Community Memorial Hospital

Good morning Mr. Roate;

Following up on the Cancer Registry item, I believe it is now complete. Please let Anne Cooper or I know if anything else is needed.

Thank you,

Fred Segovich

.....
Fred Segovich, PMP
Manager, Project Management
Carle Foundation Hospital
611 W. Park Street
Urbana, IL 61801
217.383.7541 (changed 11/1/11)
800.702.2514 Pager
217.255-4558 fax (changed 11/1/11)
Fred.Segovich@Carle.com

From: Roate, George [<mailto:George.Roate@Illinois.gov>]
Sent: Thursday, March 22, 2012 2:26 PM
To: Fred.Segovich; Kara Friedman
Cc: Constantino, Mike; Snodgrass, Jan
Subject: E-002-12 Hoopeston Community Memorial Hospital

Good afternoon Mr. Segovich, Ms. Friedman:

While performing the compliance check for the applicants to the above mentioned project, the following was discovered:

1. Hoopeston Community Memorial Hospital has not submitted their AHQ or ABR as part of their annual reporting obligation, and has been given an extension, to April 1st to submit said information. While this will not delay the review of this exemption, the State Agency would like to remind the applicant this information is needed by the agreed upon deadline.
2. Hoopeston Community Memorial Hospital has not submitted any data to the Illinois State Cancer Registry (ISCR) for 2011. This does affect the review of the exemption application. You are strongly urged to contact the ISCR and rectify matter this immediately (Jan Snodgrass 217-785-7132).

As always, if you have any questions, or if we can be of further assistance, please do not hesitate to ask. Thank you.

George Roate
Illinois Department of Public Health
Office of Health Systems Development
525 West Jefferson 2nd Floor
Springfield, Illinois 62761
Phone: (217) 782-3516
Fax: (217) 785-4111



Carle Foundation Hospital
611 W. Park Street, Urbana, IL 61801

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APR 24 2012

HEALTH FACILITIES &
SERVICES REVIEW BOARD

April 20, 2012

Dale Galassie
Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Exemption Application E-002-12 Services, Admissions, and Charity Care Policy

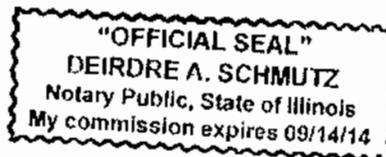
Dear Chairman Galassie:

I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 that: (1) the number of beds and services currently provided at Hoopston Community Memorial Hospital ("Hoopston") will not substantively change for at least 12 months following the proposed affiliation; (2) the proposed affiliation will not restrict patient admissions or access to care; and (3) the charity care policy for Hoopston will not become more restrictive as a result of the proposed affiliation.

Sincerely,

James C. Leonard, M.D.
President & Chief Executive Officer
Carle Foundation

Subscribed and sworn to me
This 23 day of April, 2012

Notary Public

AFFILIATION AGREEMENT
AMONG
THE CARLE FOUNDATION,
HOOPESTON COMMUNITY MEMORIAL HOSPITAL,
AND
HOOPESTON RETIREMENT VILLAGE FOUNDATION, INC.

April 23, 2012

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THIS AFFILIATION AGREEMENT is entered into on this ___ day of April, 2012 (the "**Execution Date**"), by and among The Carle Foundation, an Illinois not-for-profit corporation ("**Carle**"), Hoopeston Community Memorial Hospital d/b/a Hoopeston Regional Health Care, an Illinois not-for-profit corporation ("**Hoopeston**"), and Hoopeston Retirement Village Foundation, Inc., an Illinois not-for-profit corporation ("**Nursing Home**").

RECITALS

WHEREAS, Carle is an Illinois not-for-profit corporation that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "**Code**") and that serves as a parent corporation for the provision of health care services in and around east central Illinois; and

WHEREAS, Hoopeston is an Illinois not-for-profit corporation that is exempt from federal income tax under section 501(c)(3) of the Code that owns and operates a critical access hospital, nursing home and senior living facility and physician clinic in Hoopeston, Illinois as well as additional rural health clinics in Rossville and Cissna Park, Illinois; and

WHEREAS, Nursing Home is a newly incorporated Illinois not-for-profit corporation formed to own and operate certain nursing home and senior living facilities currently owned and operated by Hoopeston; and

WHEREAS, the Parties share a common mission of promoting health to the community at large in and around central Illinois; and

WHEREAS, Carle and Hoopeston desire to affiliate with one another to constitute a unified health care delivery system to provide quality health care to the community at large in and around central Illinois; and

WHEREAS, the Parties desire to enter into this Agreement establishing the terms and conditions pursuant to which Carle will become the sole member of Hoopeston, Hoopeston will become part of the Carle system and Hoopeston and Carle each will contribute certain assets to Nursing Home.

NOW, THEREFORE, the Parties agree as follows:

1. DEFINITIONS

1.1. Definitions. The following capitalized terms, when used herein (including in the Recitals hereto), shall have the following meanings:

"Affiliate" means, with respect to Carle, any legal entity that is considered part of the System but is not controlled directly or indirectly by Carle.

"Agreement" means this Affiliation Agreement, as amended or supplemented, together with all Schedules attached or delivered with respect hereto or expressly incorporated herein by reference.

“Approval” means any approval, authorization or other consent that is required to be issued by any Governmental Entity in connection with the transactions contemplated by this Agreement.

“Board” means the Board of Directors, Board of Trustees or other like governing body of the organization to which reference is being made.

“Carle” means The Carle Foundation, an Illinois not-for-profit corporation.

“Closing” has the meaning set forth in Section 12.1.

“Closing Date” has the meaning set forth in Section 12.1.

“Code” means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

“Confidential Information” means all information of any kind concerning a Party or its Affiliates and Subsidiary Organizations, obtained directly or indirectly from a Party in connection with the transactions contemplated by this Agreement except information: (a) ascertainable or obtained from public or published information; (b) which is or becomes known to the public (other than through a breach of this Agreement); or (c) which was in a Party’s possession prior to disclosure thereof to such Party in connection herewith.

“Control,” “controlled by” and “under common control with” refer to the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, any equity interest or a membership interest in a non-stock corporation, by contract or by power granted in bylaws or similar governing documents, or otherwise. Without limiting the foregoing, any ownership interest representing greater than fifty percent (50%) of the outstanding voting power of a Person constitutes “control” of that Person for purposes hereof.

“Encumbrance” means any claim, charge, easement, encumbrance, encroachment, security interest, mortgage, lien, pledge, exception, right-of-way, third party right or restriction, reservation or other similar restriction, whether or not of record and whether or not imposed by agreement, understanding, Law or equity.

“Environmental Condition” means any event, circumstance or condition related in any manner whatsoever to (i) the current or past presence or spill, emission, discharge, disposal, release or threatened release of any hazardous, infectious or toxic substance or waste (as defined by any applicable Environmental Laws) or any chemicals, pollutants, petroleum, petroleum products or oil (**“Hazardous Materials”**), into the environment; or (ii) the on-site or off-site treatment, storage, disposal or other handling of any Hazardous Material

originating on or from the Real Property or the Leased Real Property; or (iii) the placement of structures or materials into waters of the United States; or (iv) the presence of any Hazardous Materials, including, but not limited to, friable asbestos, in any building, structure or workplace or on any portion of the Real Property or the Leased Real Property; or (v) any violation of Environmental Laws at or on any part of the Real Property or the Leased Real Property or arising from the activities of Hoopeston at the Real Property or the Leased Real Property involving Hazardous Materials.

“Environmental Laws” means all Laws relating to pollution or the environment, including but not limited to the Comprehensive Environmental Recovery, Compensation, and Liability Act, as amended, 42 U.S.C. Section 9601, *et seq.* (“CERCLA”), the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 9601, *et seq.* (“RCRA”), the Clean Air Act, 42 U.S.C. Section 7401, the Occupational Safety and Health Act, 29 U.S.C. Section 600, *et seq.* (“OSHA”), and all other laws and regulations relating to emissions, discharges, releases, or threatened releases of pollutants, contaminants, chemicals, pesticides, or industrial, infectious, toxic or hazardous substances or wastes into the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or otherwise relating to the processing, generation, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, infectious, toxic, or hazardous substances or wastes.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and all related Laws.

“ERISA Affiliate” means, with respect to Hoopeston, any other Person that would be treated as a single employer under Code Section 414.

“Execution Date” has the meaning set forth in the first paragraph of this Agreement.

“Financial Statements” means the balance sheets, statements of operations and changes in net assets, statements of cash flows, and other documents appurtenant thereto.

“GAAP” means United States generally accepted accounting principles and practices as in effect from time to time.

“Governing Documents” means the articles of incorporation or charter, bylaws, partnership agreements, operating agreements or comparable documents as may be applicable depending on the form of the entity’s legal organization.

“Government Programs” has the meaning set forth in Schedule 8.1-11.

“Governmental Entity” means any government or any agency, bureau, board, directorate, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

“Hazardous Materials” has the meaning set forth in the definition of Environmental Condition.

“Hoopeston” means Hoopeston Community Memorial Hospital d/b/a Hoopeston Regional Health Care, an Illinois not-for-profit corporation.

“Hoopeston Historical Financial Information” means: (i) all audited Financial Statements for the year ended December 31, 2011; (ii) all unaudited monthly Financial Statements for each calendar monthly period following December 31, 2011 through Closing.

“Hospital Board” has the meaning set forth in Section 2.3.

“Immigration Act” means the Immigration Reform and Control Act of 1986, as amended, and all related Laws.

“Justice Department” means the United States Department of Justice.

“Knowledge”, “known”, “knowingly”, “to the knowledge” or any variant thereof shall, when qualifying any representation, warranty or other statement in this Agreement, mean and refers to:

with respect to Carle: (i) all matters with respect to which Carle, its Subsidiary Organizations and/or Affiliates have received written notice; or (ii) the actual knowledge of the persons serving as President and Chief Executive Officer, CEO of Carle Physician Group, Chief Financial Officer, Chief Operating Officer, Chief Nursing Officer, Chief Legal Officer, and Chief Compliance Officer of Carle; or

with respect to Hoopeston: (i) all matters with respect to which Hoopeston has received written notice; or (ii) the actual knowledge of the persons serving as Chief Executive Officer or a member of the Board of Trustees.

“Law” means any constitutional provision, statute, ordinance or other law, rule, regulation, interpretation or order of any Governmental Entity.

“Leased Real Property” means each item of real property which is leased by Hoopeston and which is identified on Schedule 8.1-11(a)(2).

“Leases” means all leases of real or personal property to which Hoopeston is a party.

“Material” means and includes, with respect to a contract, agreement, or other instrument to which Hoopeston is a party, each such contract, agreement, or other instrument that: (i) requires a payment of at least Two Hundred Fifty Thousand Dollars (\$250,000.00) and that is not part of the capital expenditure forecasts reviewed by Ernst & Young for purposes of the re-valuation of Hoopeston conducted in April 2012 or part of the Hoopeston budget for the year ending September 30, 2012; or (ii) includes as a party, directly or indirectly, any member of the medical staff of Hoopeston.

“Medicare” has the meaning set forth in Schedule 8.1-12.

“Multi-Employer Plan” has the meaning given in ERISA Section 12(37)(A).

“Nursing Home” means Hoopeston Retirement Village Foundation, Inc., an Illinois not-for-profit corporation.

“Nursing Home Business” means all operations and assets of Hoopeston relating to that certain nursing home and independent living facility, as set forth on the separate financial statements for such businesses, copies of which were provided to Carle by Hoopeston.

“Other Benefit Obligations” means any arrangement or commitment, whether or not a Plan, maintained by Hoopeston to provide benefits, other than salary, as compensation for services rendered, to current or former directors, employees, or independent contractors. Other Benefit Obligations include consulting agreements under which the compensation paid does not depend upon the amount of service rendered, sabbatical policies, severance payment policies, and fringe benefits within the meaning of Code Section 132.

“Parties” means Hoopeston, Nursing Home, and Carle, collectively; **“Party”** means any of Hoopeston, Nursing Home, or Carle, individually.

“Payment Amount” has the meaning set forth in Section 6.1-2.

“Permit” means any license, permit or other similar regulatory authorization or certificate of need required to be issued by any Governmental Entity in connection with the transactions contemplated by this Agreement.

“Permitted Encumbrance” means any Encumbrance identified on Schedule 8.1-11(a)(4).

“Person” means an association, a corporation, a limited liability company, an individual, a partnership, a limited liability partnership, a trust or any other entity or organization, including a Governmental Entity.

“Plan” has the meaning given in ERISA Section 3(3).

“Prohibited Business Activity” means and includes the ownership, operation, or management, directly or indirectly, of any hospital acute care services, physician services, or other services performed by Hoopeston prior to the Execution Date (other than services contained within the Nursing Home Business).

“QHR” means Quorum Health Resources.

“Real Property” means each item of real property which is owned by Hoopeston and which is identified on Schedule 8.1-11(a)(1).

“Real Property Lease” means a lease agreement, oral or written, pursuant to which real property is leased from its owner or lessee by Hoopeston. Each Real Property Lease is identified on Schedule 8.1-11(a)(3).

“Subsidiary Organization” means, with respect to Carle, any legal entity directly or indirectly controlled by Carle, respectively, whether by ownership, contract, or otherwise.

“System” means, collectively, Carle, its Subsidiary Organizations, and Affiliates.

“System Policy” means those policies and procedures established from time to time by Carle.

“VEBA” means a voluntary employees’ beneficiary association under Code Section 501(c)(9).

1.2. Interpretation. In this Agreement, unless the context otherwise requires:

1.2-1 References to this Agreement are references to this Agreement and to the Schedules hereto;

1.2-2 References to Sections are references to sections of this Agreement;

1.2-3 References to any Party to this Agreement shall include references to such Party’s respective successors and permitted assigns;

1.2-4 References to a judgment shall include references to any order, writ, injunction, decree, determination or award of any court or tribunal;

1.2-5 The terms “hereof,” “herein,” “hereby,” and derivative or similar words shall refer to this entire Agreement;

1.2-6 References to any document (including this Agreement) are references to that document as amended, consolidated, supplemented, novated or replaced by the Parties from time to time;

1.2-7 References to any Law are references to that Law as of the date hereof, and shall also refer to all rules and regulations promulgated thereunder as of such date;

1.2-8 The word "including" means including without limitation;

1.2-9 References to time are references to Central time (as in effect on the applicable day) unless otherwise specified herein;

1.2-10 The gender of all words herein include the masculine, feminine and neuter, and the number of all words herein include the singular and plural; and

1.2-11 The terms "date hereof," "date of this Agreement," and similar terms shall mean the date first written above.

2. **ESTABLISHMENT OF MEMBERSHIP INTEREST; GOVERNANCE AND MANAGEMENT OF HOOPESTON**

2.1. **Establishment of Membership of Hoopeston.** On or before the Closing Date, to be effective as of the Closing Date, the Board of Directors of Hoopeston (the "**Hoopeston Board**") shall file with the Illinois Secretary of the State the Amended and Restated Articles of Incorporation of Hoopeston in the form mutually agreed to between the parties (the "**Amended Articles**"), pursuant to which Hoopeston shall become an Illinois not-for-profit corporation with members.

2.2. **Naming of Carle as Sole Member.** On or before the Closing Date, to be effective as of the Closing Date, the Hoopeston Board shall adopt the Amended and Restated Bylaws of Hoopeston in the form mutually agreed to between the parties (the "**Amended Bylaws**"), pursuant to which Hoopeston shall name Carle as its sole member.

2.3. **Governance of Hoopeston.** Effective as of the Closing Date, the business and affairs of Hoopeston shall be subject to the Amended Bylaws and shall be governed by a Board of Trustees (the "**Hospital Board**"), which shall be consist of ten (10) directors. The Amended Bylaws shall at the time of Closing include the following provisions along with other provisions as approved by Hoopeston and Carle:

2.3-1 **Selection of Initial Directors; Initial Term.**

(a) The initial Hospital Board shall be selected as follows: five (5) trustees shall be selected by the Hoopeston Board and two (2) trustees shall be selected by Carle .

(b) In addition, the following individuals shall serve on the Hospital Board in an ex-officio, non-voting capacity:

(i) The chief executive officer of Hoopeston; and

(ii) Two individuals selected by Carle.

2.3-2 Selection of Board Chair. The voting members of the Board of Trustees shall elect its chair by majority vote of the Trustees present at a meeting in which a quorum is present.

2.3-3 Vacancies on Hospital Board; Subsequent Terms. The Hospital Board shall nominate candidates to fill vacancies on the Hospital Board; provided however, at all times at least five (5) members of the Hospital Board shall reside within Hoopeston's primary or secondary service area as determined by the Hospital Board. Such nominations shall be approved by Carle in the manner set forth in the Amended Bylaws.

2.3-4 Hospital Board Powers. The Hospital Board will continue to be accountable for the effective and fiscally responsible governance of Hoopeston in accordance with the Hoopeston and Carle System missions and visions. Those accountabilities include: recommendation and preliminary approval of items requiring Carle approval; oversight of the strategic planning process, including establishment of a strategic plan for Hoopeston; evaluating alignment with any new, long term or master institutional plans or changes to such plans adopted by Carle; monitoring progress toward implementation of strategic direction and initiatives; recommending annual capital and operating budgets to Carle for approval; monitoring quality and financial performance against budgetary, regulatory, financial, and quality targets; approving the CEO upon recommendation by Carle; working with Carle to review performance and compensation of CEO; monitoring and communicating feedback to System leadership regarding any issues of concern, up to and including, concerns related to managing the relationship between Hoopeston and Carle; and participating in resolution of any issues of concern, up to and including, concerns related to managing the relationship between Hoopeston and Carle.

2.3-5 Carle Reserved Powers. The Amended Bylaws shall vest Carle with certain reserved powers, including: electing and removing Hospital Board members and filling vacancies on the Hospital Board (in accordance with the agreed upon Hospital Board membership structure and selection process under Hoopeston Governing Documents); approving amendments to Hoopeston's Governing Documents; recommending candidates for CEO to the Hospital Board; approving annual and long term capital and operational budgets; approving any new, long term or master institutional plans or changes to such plans; approving any merger, consolidation, or sale of substantially all assets; approving any organization of a subsidiary or affiliate (e.g., joint venture); approving any initiative requiring CON approval; and approving non-budgeted expenditures exceeding Fifty Thousand Dollars (\$50,000), subject to both Hoopeston spending approval authority and policies as well as Carle spending approval authority and Carle policies.

2.4. Management of Hoopeston. From and after the Closing Date, appointment, removal, and evaluation of the members of the Board, and executive officers of Hoopeston, shall be in accordance with the Hoopeston Governing Documents and Carle policies. Further, the day-to-day operations of Hoopeston shall be administered by a chief executive officer ("CEO"), who will be employed by Carle. Subject to Section 11.1-7 below, the parties agree that the initial CEO shall be Harry Brockus. Carle and the Hospital Board shall establish mutually agreeable performance standards by which the CEO shall be evaluated, including mutually agreeable standards and a mutual approval process by which the CEO may be terminated.

2.5. Carle Policies. From and after the Closing Date, Hoopeston shall adopt and shall be subject to Hoopeston Governing Documents as well as applicable Carle Governing Documents and policies, as revised from time to time. Carle shall use good faith efforts to consider unique needs of the Hoopeston community when formulating such policies, subject to final Carle determination. Notwithstanding the foregoing, Hoopeston shall maintain the Hoopeston charity care policy in place as of the Execution Date for a period of not less than two (2) years after the Closing.

3. EFFECT OF THE TRANSACTION

Except as otherwise provided herein, the Closing shall not:

3.1-1 Change the ownership by Hoopeston of its assets;

3.1-2 Change the responsibility of Hoopeston for its liabilities (although, after Closing, Hoopeston will be a Subsidiary Organization of Carle);

3.1-3 Affect the separate corporate existence or other legal form of Hoopeston; or

3.1-4 Alter the responsibility of Hoopeston for its operations, except that, from and after the Closing, such operations shall be conducted consistent with System Policy.

4. STRATEGIC PLANNING AND SYSTEM INITIATIVES

4.1. Name and Branding. From and after the Closing Date, Carle, in consultation with the Hospital Board, shall: (a) decide on the appropriate branding for Hoopeston (including but not limited to the appropriate name); and (b) ensure that such branding includes appropriate Carle sub-branding consistent with System Policy.

4.2. Financing Plan. Effective as of the Closing Date, Carle shall assume Hoopeston's outstanding bonds and debt pursuant to the financing plan mutually agreed to by Carle and Hoopeston and attached hereto as Exhibit 4.2 (the "Financing Plan"). Carle and Hoopeston hereby agree to work together in good faith to implement the Financing Plan on and after the Closing.

4.3. Insurance Arrangements. Effective as of the Closing Date, at the request of Carle to be made in Carle's sole discretion, Hoopeston shall participate in certain aspects of Carle's risk management programs. More specifically, certain of Hoopeston's existing insurance policies will be terminated as deemed appropriate by Carle and Carle shall provide or arrange for appropriate "tail" coverage as needed to offset risk associated with any "claims made" coverage carried by Hoopeston as of the Closing Date.

4.4. Carle Regional Hospital Committee. Prior to the Closing, Carle will form a Regional Hospital Committee. Such committee shall consist of the Board Chairs of Carle and Hoopeston, CEOs of Carle and Hoopeston, as well as, Carle's Vice President of Business and Regional Network Development. On a going forward basis, leaders of additional hospitals that become affiliated or integrated with Carle may join the Regional Hospital Committee.

4.5. Retirement Plans. Prior to the Closing, Carle and Hoopeston shall work together in good faith to enter into a mutually acceptable plan with regard to the reconciliation of Hoopeston's employee benefit plans with those of Carle, which plan is attached hereto as Exhibit 4.5 ("**Benefits Reconciliation Plan**").

5. MEDICAL STAFF AND PHYSICIAN MATTERS

5.1. Medical Staff Matters. Notwithstanding anything herein to the contrary, Hoopeston and Carle acknowledge and agree that the Closing shall not result in changes to (i) the rules and regulations, structure and appointments of the medical staff of Hoopeston; or (ii) the medical staff memberships and respective clinical staff privileges of existing members of such medical staff as of the Closing Date.

5.2. Physicians. Notwithstanding anything herein to the contrary, Hoopeston and Carle acknowledge and agree that those physicians employed by Hoopeston prior to Closing shall continue to be employed by Hoopeston following the Closing, with any changes occurring thereafter based on a review by Carle and the Hoopeston Board, giving consideration to the unique employment model considerations that may exist within the critical access hospital market and framework within a health system.

6. NURSING HOME

6.1. Nursing Home.

6.1-1 On or before the Closing Date, to be effective not later than the Closing Date, Hoopeston shall transfer all assets and liabilities relating to the Nursing Home Business to Nursing Home; provided, however, that (i) cash and working capital will remain with Hoopeston, (ii) accounts receivable related to the Nursing Home Business only for the 90-day period prior to Closing shall be transferred to Nursing Home, and (iii) accounts payable shall be pro-rated as mutually agreed by the Parties prior to Closing.

6.1-2 At Closing, Carle will make a capital contribution to Nursing Home in an amount equal to Two Million Seven Hundred Thousand Dollars (\$2,700,000.00) (the "**Payment Amount**"), which amount has been confirmed by independent valuation to be the fair market value of the Nursing Home Business.

6.1-3 Prior to Closing, the Parties shall mutually determine how amounts received by Hoopeston from the Charlotte Ann Russell Trust shall be disposed of from and after Closing.

6.1-4 On and after Closing and for a period of not less than one (1) year Hoopeston shall lease to Nursing Home the real property upon which the Country Terrace Retirement Community is located, which lease shall be in substantially the form attached hereto as Exhibit 6.1 (the "**Country Terrace Lease**").

6.2. Covenant Not to Compete. Nursing Home covenants and agrees that for the five (5) year period beginning with the Closing Date, Nursing Home will not engage in any

Prohibited Business Activity within the geographic area encompassed by a fifty (50) mile radius from the primary address of Hoopeston as of the Closing Date.

7. ADDITIONAL COMMITMENTS

7.1. Operation of Hoopeston. Carle will operate Hoopeston as a Critical Access Hospital for a period of not less than five (5) years from the Closing Date, assuming such a designation by the Centers for Medicare and Medicaid Services (or its successor entity) remains in place. Thereafter, Carle along with the Hoopeston Board of Trustees shall use good faith efforts to continue to operate Hoopeston as a Critical Access Hospital or other type of health care provider, such as a federally qualified health center ("FQHC") or FQHC look-alike, subject to the entity's financial viability and the entity's ability to provide high quality health care services in the community, subject to final determination by Carle. In addition, Carle will continue to maintain emergency medical services at appropriate levels for the citizens of the Hoopeston community, subject to periodic assessments by Carle in consultation with Hoopeston of the need and financial performance of such emergency medical services.

7.2. Hoopeston Operating and Capital Budget. On and after the Closing Date, Carle shall use good faith efforts to assist Hoopeston in obtaining financing for certain facility repairs and capital expenditures that are incorporated into budgets approved by Hoopeston and Carle. The parties acknowledge that the construction of a new dental center on the hospital campus is currently underway and part of the Hoopeston budget.

8. HOOPESTON AND NURSING HOME REPRESENTATIONS AND WARRANTIES

8.1. Representations and Warranties. After making due inquiry, Hoopeston and/or Nursing Home, as applicable, hereby represent and warrant as of the Execution Date to Carle as to the following matters and shall be deemed to remake all of the following representations and warranties as of the Closing Date:

8.1-1 Incorporation, Qualification and Capacity. Hoopeston and Nursing Home are nonprofit corporations, duly organized and validly existing in good standing under the laws of the State of Illinois and are duly authorized, qualified to do business and in good standing under all applicable Laws of any Governmental Entity having jurisdiction over their business and operations. The execution and delivery by Hoopeston and Nursing Home of the Agreement and documents described herein, the performance by Hoopeston and Nursing Home of their obligations under the Agreement and documents described herein and the consummation by Hoopeston and Nursing Home of the transactions contemplated by the Agreement and documents described herein have been duly and validly authorized and approved by all necessary corporate actions on the part of Hoopeston and Nursing Home.

8.1-2 Absence of Conflicts with, and Violations of, Other Agreements and Law. Schedule 8.1-2(a) sets forth all of those Material contracts, agreements, and other instruments to which Hoopeston is a party and for which consent from a third party is required for the execution of this Agreement and/or the consummation of the transactions contemplated by this Agreement and the documents described herein. Except as otherwise permitted by Carle,

the execution, delivery and performance of the Agreement and the documents described herein by Hoopeston and Nursing Home and consummation by Hoopeston and Nursing Home of the transactions contemplated by the Agreement and the documents described herein, as applicable: (a) are not in contravention or violation of the terms of the Governing Documents of Hoopeston or Nursing Home; (b) except as described in Schedule 8.1-2(b), with respect to any Material contract, agreement or other instrument to which Hoopeston or Nursing Home is a party, will not (i) result in any material violation thereof, (ii) constitute a material default thereunder (with or without notice or lapse of time or both), (iii) give rise to a right of termination, cancellation, acceleration or augmentation of any obligation or to loss of a material benefit thereunder, or (iv) result in the creation of any Encumbrance, other than any Permitted Encumbrance, with respect thereto; (c) except as described in Schedule 8.1-2(c), do not require any Approval or Permit of, filing or registration with or other action by any Governmental Entity to be made or sought by Hoopeston or Nursing Home; and (d) are not in contravention or violation of any Law.

8.1-3 Binding Agreement. This Agreement constitutes the valid and legally binding obligations of Hoopeston and Nursing Home and is enforceable against them in accordance with the respective terms hereof except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other laws affecting creditors' rights generally, and except as enforceability may be subject to general principles of equity and public policy.

8.1-4 Hoopeston Debt. Schedule 8.1-4 sets forth a true and accurate description of the following outstanding debt of Hoopeston: (i) all indebtedness owed to banks, other financial institutions or commercial lenders; (ii) all long term and short term debt as defined under GAAP (other than accounts payable); (iii) all indebtedness issued by governmental issuers for or on behalf of Hoopeston; and (iv) all guarantees for indebtedness made by Hoopeston.

8.1-5 Tax-Exempt Status. Hoopeston is recognized by the Internal Revenue Service as an organization exempt from federal income tax under Code Section 501(a) as an organization described in Code Section 501(c)(3). A copy of Hoopeston's exemption letter from the Internal Revenue Service is attached hereto as Schedule 8.1-5.

8.1-6 Litigation or Proceedings. Except to the extent set forth on Schedule 8.1-6: (a) there are no claims, actions, suits, audits, compliance reports or information requests, proceedings or investigations pending, or to Hoopeston's knowledge, threatened against or affecting Hoopeston, or before or by any Governmental Entity wherever located; and (b) Hoopeston is not subject to any outstanding judgment, order or decree and has not engaged in any transaction that would reasonably be expected to subject Hoopeston (or any successor in interest) to any avoidance action under the federal bankruptcy laws with respect to its assets, which in either instance would have a material impact on the ability of Hoopeston to consummate the transactions provided herein.

8.1-7 Financial Statements/No Material Adverse Changes. Except to the extent set forth on Schedule 8.1-7: (a) the Financial Statements included in the Hoopeston Historical Financial Information have been prepared in accordance with GAAP, as modified, and applied consistently by Hoopeston throughout all periods presented; and (b) Hoopeston has not materially changed any accounting policy or methodology in determining the obsolescence of

inventory or in calculating reserves (including reserves for uncollected accounts receivable) throughout all periods presented. The Hoopeston Historical Financial Information presents fairly in all material respects the financial condition of Hoopeston as of the dates indicated thereon and the financial results of Hoopeston for the periods covered.

8.1-8 No Outstanding Rights. Except to the extent set forth on Schedule 8.1-8 or as otherwise provided in this Agreement: (a) there are no outstanding rights (including any right of first refusal), options, agreements or other commitments given or made by Hoopeston providing any Person any current or future right to require Hoopeston to sell or transfer to such Person or to any third party any interest in Hoopeston or any interest in any asset of Hoopeston; and (b) no contract or agreement entered into by Hoopeston contains any exclusivity provisions, covenants not to compete or similar types of contractual terms, or contains any provisions relating to the change of control of Hoopeston.

8.1-9 Assets. Except as set forth in Schedule 8.1-9, Hoopeston has good and marketable title to, a valid leasehold interest in, or valid license or other right to use all of the assets and properties used in the operation of its respective businesses (except, upon Closing, the Nursing Home Businesses), free and clear of Encumbrances.

8.1-10 Real Property.

(a) A complete and accurate list of all of Hoopeston's Real Property is included in Schedule 8.1-10(a)(1). Hoopeston has good and marketable title to all of the Real Property. A complete and accurate list of all the Leased Real Property, together with the corresponding Real Property Leases, is included in Schedule 8.1-10(a)(2). Hoopeston has a valid leasehold interest in all of the Leased Real Property. All Real Property and Leased Real Property are free of all debts, mortgages, pledges, liens, including liens for real and personal property taxes due and payable, encumbrances, security interests, restrictions, or other matters, except for Permitted Encumbrances. A complete and accurate list of all Permitted Encumbrances is included in Schedule 8.1-10(a)(3).

(b) The Real Property and the Leased Real Property are:
(i) adequate and sufficient to carry on the operation of the business as presently conducted by Hoopeston and are in material compliance with all applicable state and federal laws; and (ii) in the state of maintenance, repair and operating condition required for the proper operation and use thereof in the ordinary course of such business, wear and tear and acts of God excepted. Hoopeston has not received any notice of any violation relative to any federal, state or local law, ordinance, rule or regulation, nor has Hoopeston received notice of default under any Real Property Lease or other lease or agreement pertaining to the business of Hoopeston, any Real Property, or any Leased Real Property.

8.1-11 Medicare Participation/Accreditation.

(a) Except as provided on Schedule 8.1-11(a), Hoopeston is eligible to receive payment without restriction under Title XVIII of the Social Security Act ("Medicare") and Illinois' Title XIX of the Social Security Act waiver program ("Medicaid") and is a "provider" with valid and current provider agreements and with one or more provider

numbers with the federal Medicare, Medicaid, and successor programs (the “**Government Programs**”) through intermediaries. To Hoopeston’s knowledge, Hoopeston is in compliance with the conditions of participation for the Government Programs in all material respects. There is neither pending, nor to Hoopeston’s knowledge, threatened, any proceeding or investigation under any of the Government Programs involving Hoopeston. The cost reports of Hoopeston for the Government Programs, and for payment or reimbursement of any other cost report settlements, required to be filed on or before the date hereof, have been properly filed, and to Hoopeston’s knowledge, are complete and correct in all material respects. Except as disclosed in Schedule 8.1-11(a), to Hoopeston’s knowledge, the cost reports required to be filed by Hoopeston do not claim, and Hoopeston has not received payment or reimbursement in excess of, the amount provided by Law or any applicable agreement, except where excess reimbursement was noted on the cost report. Except as disclosed in Schedule 8.1-11(a) and except for claims, actions and appeals in the ordinary course of business, there are no material claims, actions or appeals pending before any commission, board or agency, including any fiscal intermediary or carrier, Governmental Entity or the Administrator of the Centers for Medicare & Medicaid Services, with respect to any Government Program cost reports or claims filed with respect to Hoopeston, on or before the Execution Date or, to Hoopeston’s knowledge, any disallowances by any commission, board or agency in connection with any audit of such cost reports. Except as disclosed in Schedule 8.1-11(a) and except for those in the ordinary course of business, to Hoopeston’s knowledge, no validation review or program integrity review related to Hoopeston or the operation of Hoopeston, or the consummation of the transactions contemplated by this Agreement has been conducted by any commission, board, agency or Governmental Entity in connection with the Government Programs, and to Hoopeston’s knowledge, no such reviews are scheduled, pending or threatened against or affecting Hoopeston, or the consummation of the transactions contemplated by this Agreement.

(b) To Hoopeston’s knowledge, all billing practices of Hoopeston to all third party payors, including the Government Programs and private insurance companies, have been in compliance with all applicable Laws, regulations and policies of such third party payors and Government Programs in all material respects, and to Hoopeston’s knowledge, Hoopeston has not billed or received any payment or reimbursement in excess of amounts allowed by Law.

(c) Except as provided on Schedule 8.1-11(d) and to Hoopeston’s knowledge, neither Hoopeston nor any trustee, officer or employee of Hoopeston, nor any agent acting on behalf of or for the benefit of any of the foregoing, has directly or indirectly: (i) offered or paid any remuneration, in cash or in kind, to, or made any financial arrangements with, any past, present or potential customers, past or present suppliers, patients, medical staff members, contractors or third party payors of Hoopeston in order to obtain business or payments from such Persons, except as permitted by Law; (ii) given or agreed to give, or is aware that there has been made or that there is any agreement to make, any gift or gratuitous payment of any kind, nature or description (whether in money, property or services) to any customer or potential customer, supplier or potential supplier, contractor, third party payor or any other Person other than in connection with promotional or entertainment activities or as otherwise permitted by Law; (iii) made or agreed to make, or is aware that there has been made or that there is any agreement to make, any contribution, payment or gift of funds or property to, or for the private use of, any governmental official, employee or agent where either the contribution, payment or gift or the

purpose of such contribution, payment or gift is or was illegal under the Laws of the United States or under the Laws of any state or any other Governmental Entity having jurisdiction over such payment, contribution or gift; (iv) established or maintained any unrecorded fund or asset for any purpose or made any misleading, false or artificial entries on any of its books or records for any reason; or (v) made, or agreed to make, or is aware that there has been made or that there is any agreement to make, any payment to any Person with the intention or understanding that any part of such payment would be used for any purpose other than that described in the documents supporting such payment.

(d) Except as disclosed on Schedule 8.1-11(d) and to Hoopeston's knowledge, neither Hoopeston nor any director, officer or employee of Hoopeston, is a party to any contract, lease agreement or other arrangement (including any joint venture or consulting agreement) with any physician, health care facility, hospital, nursing facility, home health agency or other Person who is in a position to make or influence referrals to or otherwise generate business for Hoopeston, to provide services, lease space, lease equipment or engage in any other venture or activity, to the extent that any of the foregoing is prohibited by Law.

8.1-12 Regulatory Compliance. To Hoopeston's knowledge, Hoopeston is in compliance in all material respects with all Laws, and all applicable statutes, rules, regulations and requirements of Government Entities having jurisdiction over Hoopeston and its business operations. Hoopeston has timely filed all forms, applications, reports, statements, data and other information required to be filed with Governmental Entities, except to the extent that such failure to timely file all such forms, applications, reports, statements, data and other information has not had a material adverse effect on Hoopeston. To Hoopeston's knowledge, Hoopeston is in compliance with all record retention requirements of local, state, and federal laws.

8.1-13 Insurance. Schedule 8.1-13 sets forth a true and complete list of all insurance policies or self-insurance funds maintained by Hoopeston as of the Execution Date covering the ownership and operation of Hoopeston, obtained by Hoopeston, indicating the types of insurance, policy numbers, terms, identity of insurers and amounts and coverages (including applicable deductibles). All such policies are now in full force and effect with no premium arrearages. Except as set forth on Schedule 8.1-13, to Hoopeston's knowledge: (i) there is no outstanding written requirement or recommendation by any insurance company that issued any such policy or by any board of fire underwriters or other similar body (including any Governmental Entity) exercising similar functions which requires or recommends any repairs or other work to be done, which repairs or work remains outstanding to be done and completed; (ii) Hoopeston has given to its insurer in a timely manner all notices required to be given under its insurance policies with respect to all claims and actions covered by insurance, and no insurer has denied coverage of any such claims or actions or reserved its rights with respect to or rejected any such claims; and (iii) Hoopeston has not as of the Execution Date (a) received any notice or other written communication from any such insurance company canceling or materially amending any of said insurance policies, and, to Hoopeston's knowledge, no such cancellation or amendment is threatened, or (b) failed to give any required notice or present any claim which is still outstanding under any of said policies.

8.1-14 Employee Benefit Plans. Schedule 8.1-14 sets forth an accurate listing of all Plans and Other Benefit Obligations maintained or sponsored by Hoopeston (collectively, "**Employee Benefit Plans**"). Except as otherwise provided in Schedule 8.1-14:

(a) No Employee Benefit Plan is a VEBA.

(b) To the Knowledge of Hoopeston, Hoopeston has made all required contributions and premium payments with great to all Employee Benefit Plans and any such contributions or premium payments associated with the period ending on the Closing Date but that were not required to be made prior to the Closing Date are reflected in Hoopeston's Historical Financial Information.

(c) No statement, either written or oral, has been made by Hoopeston to any Person with regard to any Plan or Other Benefit Obligation that was not in accordance with the Plan or Other Benefit Obligation and that could have an adverse economic consequence to Hoopeston or Carle.

(d) Each Employee Benefit Plan complies with ERISA, the Code, and other applicable Laws including the provisions of such Laws expressly mentioned in this Section 8.1-14.

(i) No transaction prohibited by ERISA Section 406 and no "prohibited transaction" under Code Section 4975(c) has occurred with respect to any Employee Benefit Plan.

(ii) To the Knowledge of Hoopeston, Hoopeston has no liability to the Internal Revenue Service with respect to any Plan, including any liability imposed by Chapter 43 of the Code.

(iii) To the Knowledge of Hoopeston, Hoopeston has no liability under ERISA Section 502.

(iv) All filings required by ERISA and the Code as to each Employee Benefit Plan have been timely filed, and all notices and disclosures to participants required by either ERISA or the Code have been timely provided.

(v) All contributions and payments made or accrued with respect to all Employee Benefit Plans are deductible under Code Section 162 or Section 404. No amount, or any asset of any Employee Benefit Plan, is subject to tax as unrelated business taxable income.

(e) Each Plan can be terminated within thirty (30) days, without payment of any additional contribution or amount and without the vesting or acceleration of any benefits promised by such Plan, except to the extent such additional contributions, vesting, or acceleration of benefits is required under applicable Law.

(f) To the Knowledge of Hoopeston, no event has occurred or circumstance exists that could result in a material increase in premium costs of Plans and Other

Benefit Obligations that are insured, or a material increase in benefit costs of such Plans and Other Benefit Obligations that are self-insured.

(g) Other than claims for benefits submitted by participants or beneficiaries, no claim against, or legal proceeding involving, any Employee Benefit Plan is pending or, To Hoopeston's Knowledge, is threatened.

(h) Each Employee Benefit Plan that is intended to be qualified in form and operation under Code Section 401(a) is so qualified; each trust for each such Employee Benefit Plan is exempt from federal income tax under Code Section 501(a). No event has occurred or circumstance exists that will or could give rise to disqualification or loss of tax-exempt status of any such Plan or trust.

(i) Neither Hoopeston nor any ERISA Affiliate of Hoopeston contributes to, is required to contribute to, or may in the future be required to contribute to, any Employee Benefit Plan that is subject to Title IV of ERISA or Code Section 412.

(j) None of Hoopeston or any ERISA Affiliate has ever established, maintained, or contributed to or otherwise participated in, or had an obligation to maintain, contribute to, or otherwise participate in, any Multi-Employer Plan.

(k) Except to the extent required under ERISA Section 601 et seq. and Code Section 4980B, Hoopeston does not provide health or welfare benefits for any retired or former employee or is obligated to provide health or welfare benefits to any active employee following such employee's retirement or other termination of service.

(l) Hoopeston has complied with the provisions of ERISA Section 601 et seq. and Code Section 4980B.

(m) The consummation of the transactions contemplated by this Agreement will not result in the payment, vesting, or acceleration of any benefit.

8.1-15 Employees and Employee Relations.

(a) Except as set forth in Schedule 8.1-15, no changes in the basis for remuneration of employees of Hoopeston has been made, promised or authorized by Hoopeston, except in the ordinary and usual course of business. Except as set forth on Schedule 8.1-15, Hoopeston does not have any written employment contract, or agreement of any nature that provides for employment for any particular period of time or that provides any restrictions upon Hoopeston's right to terminate employment without any post-termination payment obligation, with any Person whomsoever. Other than as set forth on Schedule 8.1-15, no binding agreements have been made or entered into between Hoopeston and any employee regarding changes in compensation, promotion or any other change in status, or salary continuation.

(b) Except as set forth on Schedule 8.1-15: (i) there is no pending or, to Hoopeston's knowledge, threatened employee strike, work stoppage or labor dispute; (ii) to Hoopeston's knowledge, no union representation question exists respecting any employees of Hoopeston, no demand has been made for recognition by a labor organization by or with respect

to any employees of Hoopeston, no union organizing activities by or with respect to any employees of Hoopeston are taking place, and none of the employees of Hoopeston is represented by any labor union or organization; (iii) no collective bargaining agreement exists or is currently being negotiated by Hoopeston; (iv) there is no unfair practice claim against Hoopeston before the National Labor Relations Board, or any strike, dispute, slowdown, or stoppage pending or, to Hoopeston's knowledge, threatened against or involving Hoopeston and none has occurred; (v) to Hoopeston's knowledge, Hoopeston is in compliance in all material respects with all Laws and contracts respecting employment and employment practices, labor relations, terms and conditions of employment, and wages and hours; (vi) to Hoopeston's knowledge, Hoopeston is not engaged in any unfair labor practice; (vii) there are no pending or, to Hoopeston's knowledge, threatened complaints or charges before any Governmental Entity regarding employment, including claims of employment discrimination or wrongful discharge, claims relating to safety under any occupational safety or health standards set forth in Law, unemployment compensation claims, worker's compensation claims, or any other employment-related charges or complaints, wage and hour claims, unemployment compensation claims, workers' compensation claims or the like arising out of any occupational safety and health standards set forth in Law, including but not limited to the Fair Labor Standards Act, Title VII of the Civil Rights Act of 1964, the Occupational Safety and Health Act, ERISA, the Age Discrimination in Employment Act of 1967, the Americans With Disabilities Act of 1990 or the Family and Medical Leave Act of 1993, each as amended; and (viii) except as set forth on Schedule 8.1-15, neither Hoopeston nor Carle will be subject to any claim or liability for severance pay as a result of the consummation of the transactions contemplated by this Agreement through the Closing.

8.1-16 Tax Matters.

(a) All tax returns, including income tax returns, sales tax returns, employee payroll tax returns, employee unemployment tax returns and franchise tax returns, which are required to be filed by Hoopeston have been filed or will be filed within the time (including any valid extensions thereof) and in the manner provided by Law, and all such returns, to Hoopeston's knowledge, are or will be true and correct and are or will accurately reflect the tax liabilities of Hoopeston, and all amounts shown due on such tax returns have been or will be paid on a timely basis;

(b) All federal, state, county and local income, franchise, payroll, withholding, property (real and personal), sales and use taxes of Hoopeston, and all other taxes, penalties, interest, and any other statutory additions which have become or are due from Hoopeston, and any assessments received by Hoopeston, have been or will be paid when due;

(c) There are no tax liens on any of the assets of Hoopeston, except for tax liens on real property or personal property for taxes not yet delinquent;

(d) To Hoopeston's knowledge, proper and accurate amounts have been withheld by Hoopeston for all periods in compliance with the payroll tax and other withholding provisions of all applicable Laws, and all of such amounts have been duly and validly remitted to the proper taxing authority; and

(e) No notice of a claim or pending investigation has been received, or to Hoopeston's knowledge, has been threatened, by any state, local or other jurisdiction, alleging that Hoopeston has a duty to file tax returns and pay taxes or is otherwise subject to the taxing authority of any jurisdiction, nor has Hoopeston received any notice or questionnaire from any jurisdiction which suggests or asserts that Hoopeston may have a duty to file such returns and pay such taxes, or otherwise is subject to the taxing authority of such jurisdiction.

8.1-17 Environmental Matters. Except as set forth on Schedule 8.1-17 or in any environmental report listed therein, to Hoopeston's knowledge:

(a) Hoopeston has materially complied and is in material compliance with, and all Real Property and all improvements on Real Property and Leased Real Property are in material compliance with, all Environmental Laws.

(b) Hoopeston has no material liability under any Environmental Law with respect to any Real Property or Leased Real Property, nor is Hoopeston responsible for any liability of any other Person under any Environmental Law with respect to the Real Property or the Leased Real Property. There are no pending or, to Hoopeston's knowledge, threatened actions, suits, orders, claims, legal proceedings or other proceedings based on, and Hoopeston has not received any formal or informal written notice of any complaint, order, directive, citation, notice of responsibility, notice of potential responsibility, or information request from any Governmental Entity or any other Person or knows or suspects any fact(s) which would reasonably be expected to form the basis for any such actions or notices arising out of or attributable to, any Environmental Condition.

(c) Hoopeston has been duly issued, and currently has, all material Approvals and Permits required under any Environmental Law with respect to any of the Real Property and the Leased Real Property. A true and complete list of such Permits, all of which are valid and in full force and effect, is set forth in Schedule 8.1-17(c). Hoopeston is in compliance with and the Real Property and Leased Real Property and all improvements on such Real Property and Leased Real Property are in material compliance with, all Approvals and Permits. Except in accordance with such Approvals and Permits, there has been no release of material regulated by such Approvals and Permits at, on, under, or from such Real Property or Leased Real Property in violation of Environmental Laws.

(d) Hoopeston has furnished to Carle all information in its possession pertaining to the environmental history of all Real Property and Leased Real Property, including existing Phase I environmental site assessments or reports in its possession relating to such Real Property and Leased Real Property, and any other engineering or environmental reports or inspections which have been prepared relating to such Real Property and Leased Real Property. In the event that Carle desires to order current Phase I environmental site assessments with respect to any or all of such Real Property or Leased Real Property (the "**Phase I Environmental Reports**"), Carle shall assume, pay and discharge the entire fee for such Phase I Environmental Reports, as applicable.

(e) Hoopeston will promptly furnish to Carle written notice of any Environmental Condition relating to any Real Property or Leased Real Property or of any actions or notices described in this Section 8.1-17.

(f) Except to the extent permitted under Environmental Laws, no Hazardous Materials are present on or in any Real Property or Leased Real Property.

(g) No Encumbrance in favor of any Person relating to or in connection with any claim under any Environmental Law has been attached to any Real Property or Leased Real Property, other than Permitted Encumbrances.

8.1-18 Immigration Act. To Hoopeston's knowledge, Hoopeston is in compliance in all material respects with the terms and provisions of the Immigration Act where individuals employed by Hoopeston are working. For each Hoopeston employee for whom compliance with the Immigration Act is required, to Hoopeston's knowledge, Hoopeston has obtained and retained a complete and true copy of such employee's Form I-9 (Employment Eligibility Verification Form) and all other records or documents prepared or procured pursuant to the Immigration Act to the extent Hoopeston is required to do so. Within the past three (3) years, Hoopeston has not been cited, fined, served with a Notice of Intent to Fine or with a Cease and Desist Order (as such terms are defined in the Immigration Act) nor, to Hoopeston's knowledge, has any action or administrative proceeding been initiated or threatened against Hoopeston in connection with any individuals employed by Hoopeston, by reason of any actual or alleged failure to comply with the Immigration Act.

8.1-19 Medical Staff. Except as disclosed on Schedule 8.1-19: (i) there are no pending or, to Hoopeston's knowledge, threatened hearings, appeals, challenges, disciplinary or corrective actions, or disputes involving applicants, staff members, or any individuals to whom fair hearing rights are afforded under the medical staff bylaws of any hospital or other healthcare entity which Hoopeston operates, and Hoopeston has no actual knowledge after due inquiry of any factual basis for any of the foregoing; (ii) Hoopeston has no actual knowledge after due inquiry of any actual or threatened cancellation, or limitation of, or material adverse modification or change in the relationship of Hoopeston with any individual to whom fair hearing rights are afforded under the medical staff bylaws of any hospital which it operates, or any other healthcare provider referring patients to or otherwise in any way affiliated with Hoopeston; and (iii) to Hoopeston's knowledge, no such threatened cancellation, or limitation of, or material adverse modification or change in such relationships has been threatened if Closing occurs.

8.1-20 Conflicts of Interest. Except as set forth on Schedule 8.1-20, to Hoopeston's knowledge, no trustee, officer, or other executive of Hoopeston is: (i) a supplier of goods or services to Hoopeston; (ii) directly or indirectly controls or is a director, trustee, officer, shareholder, employee or agent of any corporation, firm, association, partnership or other business entity which is a supplier of goods or services to Hoopeston; or (iii) a party to any contract or other agreement with Hoopeston.

8.1-21 Hill-Burton and Other Liens. To Hoopeston's knowledge, Hoopeston does not have any outstanding any loans, grants or loan guarantees pursuant to the

Hill-Burton Act program, the Health Professions Educational Assistance Act, the Nurse Training Act, the National Health Planning and Resources Development Act, or the Community Mental Health Centers Act, as amended, or similar laws or acts providing for the recovery of any public funds advanced under the provisions of such laws or acts relating to healthcare facilities.

8.1-22 Experimental Procedures. Except as disclosed on Schedule 8.1-22 or as otherwise permitted by Law, Hoopeston has not permitted the performance of any experimental or research procedures or studies involving patients in any facilities, clinics, or practices owned by, leased by, or otherwise affiliated with Hoopeston.

8.1-23 Statements True and Correct. Hoopeston and Nursing Home represent that this Agreement and the Schedules delivered by Hoopeston and Nursing Home hereunder (whenever delivered) do not include any untrue statement of a material fact.

8.2. Survival of Representations and Warranties. The representations and warranties made by Hoopeston and Nursing Home in Schedule 8.1 shall expire two (2) years after the Closing Date.

9. CARLE REPRESENTATIONS AND WARRANTIES

9.1. Representations and Warranties. Carle hereby represents and warrants to Hoopeston and Nursing Home as of the Execution Date as to the following matters and Carle shall be deemed to remake all of the following representations and warranties as of the Closing Date:

9.1-1 Incorporation, Qualification and Capacity. Carle is a nonprofit corporation, duly organized and validly existing in good standing under the laws of the State of Illinois and is duly authorized, qualified to do business and in good standing under all applicable Laws of any Governmental Entity having jurisdiction over its business and operations. The execution and delivery by Carle of the Agreement and documents described herein, the performance by Carle of its obligations under the Agreement and documents described herein and the consummation by Carle of the transactions contemplated by the Agreement and documents described herein have been duly and validly authorized and approved by all necessary corporate actions on the part of Carle.

9.1-2 Absence of Conflicts with and Violations of Other Agreements. The execution, delivery and performance of the Agreement and the documents described herein by Carle and the consummation by Carle of the transactions contemplated by the Agreement and the documents described herein, as applicable: (a) are not in contravention or violation of the terms of the Governing Documents of Carle; and (b) with respect to any contract, agreement or other instrument to which Carle is a party, will not (i) result in any material violation thereof, (ii) constitute a material default thereunder (with or without notice or lapse of time or both), (iii) give rise to a right of termination, cancellation, acceleration or augmentation of any obligation or to loss of a material benefit thereunder, or (iv) except as set forth on Schedule 9.1-2, result in the creation of any Encumbrance with respect thereto.

9.1-3 Binding Agreement. This Agreement constitutes the valid and legally binding obligations of Carle and is enforceable against it in accordance with the respective terms

hereof except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity and public policy.

9.1-4 Tax-Exempt Status. Carle is recognized by the Internal Revenue Service as an organization exempt from federal income tax under Code Section 501(a) as an organization described in Code Section 501(c)(3).

9.1-5 Statements True and Correct. Carle represents that this Agreement and the Schedules delivered by Carle hereunder (whenever delivered) do not include any untrue statement of a material fact.

9.2. Survival of Representations and Warranties. The representations and warranties made by Carle in Section 9.1 shall expire two (2) years after the Closing Date.

10. PRE-CLOSING COVENANTS

10.1-1 Hoopeston will not dispose of, remove, transfer or encumber any of its land, buildings, equipment, or other assets other than in the ordinary course of business except as expressly permitted under this Agreement;

10.1-2 Unless otherwise agreed to in writing by Carle and except as otherwise provided in this Agreement, Hoopeston will not enter into any new Material contracts, commitments, or other obligations;

10.1-3 Unless otherwise agreed to in writing by Carle and except as otherwise provided in this Agreement, Hoopeston will refrain from entering into any new contracts, commitments, or other obligations other than in the ordinary course of business;

10.1-4 Unless otherwise agreed to in writing by Carle and except as otherwise provided in this Agreement, Hoopeston will conduct its business in the ordinary course (including but not limited to replenishing inventory, collecting receivables, and paying short-term liabilities) generally consistent with past conduct and practices; and

10.1-5 Unless otherwise agreed to in writing by Carle, at the time of Closing Hoopeston shall have a positive working capital balance, as calculated in a manner consistent with the analysis by Ernst & Young for purposes of the re-valuation of Hoopeston conducted in April 2012.

11. CONDITIONS PRECEDENT

11.1. Conditions Precedent to All Parties' Obligations. The obligations of Carle, Hoopeston and Nursing Home to consummate the transactions contemplated by this Agreement are, at the option of the parties, subject to the satisfaction, on or prior to the Closing Date, of the following conditions:

11.1-1 Regulatory Approvals. The Parties shall have obtained all Permits and Approvals in each instance required to consummate the transactions herein contemplated (or

received reasonable assurance from the applicable Governmental Entity or third party that such Permits or Approvals shall be issued or given promptly following the Closing and be effective as of the Closing Date), including but not limited to:

11.1-2 Certificate of Exemption/Need. The Parties shall have obtained any necessary approvals from the Illinois Health Facilities and Services Review Board for the transactions contemplated by this Agreement; and

11.1-3 Change of Ownership. The Parties shall have obtained Change of Ownership approval from the Centers for Medicare and Medicaid Services approving Carle's membership interest acquisition of Hoopeston.

11.1-4 No Action/Proceeding. No court or any other Governmental Entity shall have issued an order restraining or prohibiting the transactions herein contemplated; and no Governmental Entity shall have commenced or threatened in writing to commence any action or suit before any court of competent jurisdiction or other Governmental Entity that seeks to restrain or prohibit the consummation of the transactions herein contemplated or otherwise seeks a remedy which would materially and adversely affect the contemplated transaction; and neither the Justice Department nor the Federal Trade Commission shall have requested, orally or in writing, that any Party delay or postpone the Closing.

11.1-5 Execution of Financing Plan. The Financing Plan shall have been completed to the reasonable satisfaction of the Parties.

11.1-6 Execution of Benefits Reconciliation Plan. The Benefits Reconciliation Plan shall have been mutually agreed to between the parties.

11.1-7 Satisfactory Negotiation with QHR. Carle and Hoopeston each shall have negotiated to the reasonable satisfaction of the other party the following with QHR: (i) termination of that certain Agreement for Hospital Administrative Services by and between Hoopeston and QHR effective April 15, 2008; (ii) QHR's waiver of a covenant not to hire between QHR and Hoopeston; and (iii) QHR's waiver of a covenant not to compete between QHR and Harry Brockus.

11.2. Carle's Conditions Precedent to Closing. The obligations of Carle hereunder are subject to the satisfaction, on or prior to the Closing Date, of the following conditions unless waived in writing by Carle:

11.2-1 Compliance With Covenants; Representations True.

(a) Hoopeston and Nursing Home shall have performed all obligations and complied with all covenants and conditions required by this Agreement to be performed or complied with in all material respects by them at or prior to the Closing.

(b) All representations and warranties of Hoopeston and Nursing Home made herein shall be true and correct in all material respects on the Execution Date and on the Closing Date.

11.2-2 Pre-Closing Confirmations. Carle shall have obtained documentation or other evidence reasonably satisfactory to Carle that it has received:

(a) Evidence that all notices required to be given by Hoopeston to any Governmental Entity have been duly given and that any and all applicable waiting periods have expired or been terminated or waived.

(b) Delivery of the Hoopeston Closing Documents and Nursing Homes Closing Documents, and such other documents reasonably required to consummate the transactions described herein.

11.2-3 Bankruptcy/Insolvency. Without the prior consent of Carle, each of Hoopeston and Nursing Home shall not have voluntarily: (a) placed itself in receivership or dissolution; (b) made any assignment for the benefit of creditors; (c) admitted in writing its inability to pay its debts as they mature; (d) been adjudicated a bankrupt; (e) filed a petition in voluntary bankruptcy, a petition seeking a reorganization, or an arrangement with creditors under the federal bankruptcy law or any other similar law or statute of the United States or any state; or (f) entered into any contract to do or permit the doing of any of the foregoing on or after the Closing Date.

11.2-4 Absence of Material Adverse Change. No material adverse change shall have occurred in the corporate structure, ownership, financial condition, business, or operations of Hoopeston or Nursing Home, except as contemplated by this Agreement, from the date hereof until Closing.

11.2-5 Third Party Consents Obtained. Hoopeston and Nursing Home shall have obtained consent to the transaction contemplated in this Agreement prior to the Closing from each of those third parties identified on Schedule 8.1-2(a) except for those parties identified on Schedule 7.6 hereof.

11.3. Hoopeston and Nursing Home Conditions Precedent to Closing. The obligations of Hoopeston and Nursing Home hereunder are subject to the satisfaction, on or prior to the Closing Date, of the following conditions unless waived in writing by Hoopeston and Nursing Home:

11.3-1 Compliance With Covenants; Representations True. Carle shall have performed all obligations and complied with all covenants and conditions required by this Agreement to be performed or complied with in all material respects by it at or prior to the Closing. All representations and warranties of Carle shall be true and correct in all material respects on the Closing Date.

11.3-2 Pre-Closing Confirmations. Hoopeston and Nursing Home shall have obtained documentation or other evidence reasonably satisfactory to each of Hoopeston and Nursing Carle that it has received:

(a) Evidence that all notices required to be given by Carle to any Governmental Entity have been duly given and that any and all applicable waiting periods have expired or been terminated or waived.

(b) Delivery of the Carle Closing Documents and such other documents reasonably required to consummate the transactions described herein.

11.3-3 Bankruptcy/Insolvency. Carle shall not: (a) be in receivership or dissolution; (b) have made any assignment for the benefit of creditors; (c) have admitted in writing its inability to pay its debts as they mature; (d) have been adjudicated a bankrupt; (e) have filed a petition in voluntary bankruptcy, a petition or answer seeking a reorganization, or an arrangement with creditors under the federal bankruptcy law or any other similar law or statute of the United States or any state, nor shall any such petition have been filed against Carle; or (f) have entered into any contract to do or permit the doing of any of the foregoing on or after the Closing Date.

11.3-4 Absence of Material Adverse Change. No material adverse change shall have occurred in the corporate structure, ownership, financial condition, business, or operations of Carle, except as contemplated by this Agreement, from the date hereof until Closing.

12. CLOSING

12.1. Closing. Subject to the satisfaction or waiver by the appropriate Party of all the conditions specified in Section 11, the consummation of the transactions described in this Agreement (“**Closing**”) shall take place at Hoopeston on such date as mutually agreed to by the parties to be effective not later than October 1, 2012, or at such other date and/or at such other location as the Parties may mutually designate in writing (“**Closing Date**”); provided, however, that the Parties shall close the transaction at any time prior to October 1, 2012 as mutually agreed by the Parties if all of the conditions specified in Section 11 have been satisfied. Notwithstanding anything contained in this Agreement to the contrary, if the Closing does not occur on or prior to October 1, 2013 due to the failure of one or more of the Parties to satisfy one or more of the conditions specified in Section 11, the Parties shall be fully released from any and all of their respective obligations under this Agreement.

12.2. Hoopeston Closing Documents. At Closing, unless otherwise waived in writing by Carle, Hoopeston shall deliver the following to Carle, in form and substance reasonably satisfactory to Carle (the “**Hoopeston Closing Documents**”):

12.2-1 Resolutions, duly adopted by the Hoopeston Board and certified as true and of full force and effect as of Closing by the appropriate officers of Hoopeston, authorizing and approving: (a) Hoopeston’s performance of the transactions contemplated hereby; (b) the Amended Articles and Revised Bylaws; and (c) the execution and delivery of the documents described herein requiring execution and delivery by Hoopeston.

12.2-2 Certificates of incumbency for the respective officers of Hoopeston executing any agreements or certificates contemplated herein and this Agreement, which incumbency certificates shall be dated as of the Closing Date.

12.2-3 Certified Amended Articles and Revised Bylaws in conformance with Section 2.3 hereof and a Certificate of Good Standing for Hoopeston issued by the Illinois Secretary of State and dated the most recent practical date prior to Closing.

12.2-4 A certificate of Hoopeston certifying that: (a) the representations and warranties set forth in Section 8 are true and correct as of the Closing Date; and (b) the Conditions Precedent set forth in Sections 11.1 and 11.3 have been satisfied or waived.

12.2-5 Copies of all third-party consents required pursuant to Section 11.2-5, as executed by such third parties, required in connection with the consummation of the transactions provided herein.

12.2-6 An Extended Form ALTA Title Insurance Policy in favor of Hoopeston with respect to each item of Real Property.

12.2-7 Such other instruments and documents as are reasonably necessary to effect the transactions contemplated by this Agreement.

12.3. Carle Closing Documents. At Closing, unless otherwise waived in writing by Hoopeston and the Nursing Home, Carle shall deliver the following to Hoopeston and the Nursing Home, in form and substance reasonably satisfactory to Hoopeston (the "**Carle Closing Documents**"):

12.3-1 A resolution, duly adopted by Carle's Board and certified as true and of full force and effect as of Closing by Carle's appropriate officers, authorizing and approving: (a) Carle's performance of the transactions contemplated hereby; and (b) the execution and delivery of this Agreement by Carle and the documents described herein requiring execution and delivery by Carle.

12.3-2 Certificates of incumbency for the officers of Carle executing this Agreement and any other agreements or instruments contemplated herein, which incumbency certificates shall be dated as of the Closing Date.

12.3-3 A Certificate of Good Standing for Carle from the State of Illinois dated the most recent practical date prior to Closing.

12.3-4 A certificate of Carle certifying that: (a) the representations and warranties set forth in Section 9 are true and correct as of the Closing Date; and (b) the Conditions Precedent set forth in Sections 11.1 and 11.2 have been satisfied or waived.

12.3-5 Such other instruments and documents as are reasonably necessary to effect the transactions contemplated by this Agreement.

12.4. Nursing Home Closing Documents. At Closing, unless otherwise waived in writing by the other Parties, Nursing Home shall deliver the following to Carle, in form and substance reasonably satisfactory to Carle (the "**Nursing Home Closing Documents**"):

12.4-1 A resolution, duly adopted by Nursing Home's Board and certified as true and of full force and effect as of Closing by Nursing Home's appropriate officers, authorizing and approving: (a) Nursing Home's performance of the transactions contemplated hereby; and (b) the execution and delivery of this Agreement by Nursing Home and the documents described herein requiring execution and delivery by Nursing Home.

12.4-2 Certificates of incumbency for the officers of Nursing Home executing this Agreement and any other agreements or instruments contemplated herein, which incumbency certificates shall be dated as of the Closing Date.

12.4-3 A Certificate of Good Standing for Nursing Home from the State of Illinois dated the most recent practical date prior to Closing.

12.4-4 A certificate of Nursing Home certifying that the representations and warranties set forth in Schedule 8 are true and correct as of the Closing Date.

12.4-5 Such other instruments and documents as are reasonably necessary to effect the transactions contemplated by this Agreement.

12.5. Effect of Closing. All transactions and deliveries at the Closing that are required by this Agreement shall be dependent on each other and thereby constitute conditions to the Closing, and they shall be deemed to take place contemporaneously.

13. TERMINATION

13.1. Termination Prior to Closing. Notwithstanding anything herein to the contrary, this Agreement and the Transaction contemplated by this Agreement may be terminated at any time prior to Closing under any one of the following circumstances:

13.1-1 Mutual Consent. By mutual written consent of the Parties, acting through their respective boards of trustees;

13.1-2 Legal Proceedings. By either Party, if at the time of Closing: (a) a bona fide action or proceeding shall be pending against any Party wherein an unfavorable judgment, decree or order would prevent or make unlawful the carrying out of the transactions contemplated by this Agreement; or (b) any governmental agency shall have notified any Party that the consummation of the transactions contemplated herein would constitute a violation of Applicable Laws and that it has commenced or intends to commence proceedings to restrain the consummation of the transactions contemplated herein, and such agency has not withdrawn such notice prior to such termination;

13.1-3 Conditions Precedent to Closing. By either Party if the conditions of this Agreement to be satisfied or performed by the other Party at or before Closing become incapable of satisfaction or performance other than as a result of a breach of this Agreement by the terminating party;

13.1-4 Breach. By either Party if at any time prior to the Closing, there has been a material breach by the other Party of any representation, warranty, covenant or agreement contained in this Agreement which cannot be or is not cured prior to the Termination Date; or

13.2. Effect of Termination. The termination of this Agreement by a Party pursuant to Section 13.1 shall:

13.2-1 Terminate all further obligations of the Parties hereunder; and

13.2-2 If exercised by a Party prior to Closing, be the sole and exclusive remedy for breach of any representation, warranty or covenant made by another Party under this Agreement prior to Closing.

14. GENERAL

14.1. Legal Fees and Costs.

14.1-1 Hoopeston shall pay the fees, expenses and disbursements of Hoopeston and Nursing Home and their respective agents, representatives, accountants, and counsel incurred in connection with the subject matter hereof and any amendments hereto, including but not limited to all fees associated with the process of applying for and obtaining a Certificate of Need from the Illinois Health Facilities and Services Review Board for the transactions contemplated by Section 6.1.

14.1-2 Carle shall pay the fees, expenses and disbursements of Carle and its agents, representatives, accountants, and counsel incurred in connection with the subject matter hereof and any amendments hereto, including but not limited to all fees associated with the process of applying for and obtaining a Certificate of Need from the Illinois Health Facilities and Services Review Board for Carle's membership interest acquisition of Hoopeston as contemplated by this Agreement.

14.1-3 In the event a Party elects to incur legal expenses to enforce any provision of this Agreement against the other Party, the prevailing Party shall be entitled to recover such legal expenses, including attorneys' fees, costs and necessary disbursements, in addition to any other relief to which such Party shall be entitled.

14.2. Choice of Law. To the extent permitted by applicable law, the Parties agree that this Agreement shall be governed by and construed in accordance with the laws of the State of Illinois, without giving effect to any choice or conflict of law provision or rule thereof.

14.3. Benefit; Assignment. Subject to provisions herein to the contrary, this Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns. No Party may assign this Agreement, or any of its respective rights, duties or obligations set forth in this Agreement, without the prior written consent of each of the other Parties.

14.4. Public Announcements; Confidentiality. No public announcement concerning this Agreement or the transactions contemplated hereby shall be made without the advance approval of each of the Parties hereto, in writing, both as to timing and content of such announcement. The Parties agree to continue the confidentiality restrictions set forth in that certain Letter of Intent dated December 2010 until the Closing at which time said confidentiality restrictions shall terminate.

14.5. Waiver of Breach. No waiver of a breach of a condition or covenant set forth herein shall be deemed to have occurred unless the aggrieved Party shall notify the breaching Party in writing of its election to waive such breach (no failure to insist on strict performance of any covenant, agreement, term or condition of this Agreement shall constitute a waiver of any

breach of such covenant, agreement, term or condition). Unless such written notice of election of waiver is furnished, the aggrieved Party reserves the right to terminate this Agreement, subject to the covenants and conditions contained herein pertaining to termination. The waiver by either Party of breach or violation of any provision of this Agreement shall not operate as, or be construed to constitute, a waiver of any subsequent breach of the same or other provision hereof.

14.6. Notices. Any notice, demand or communication required, permitted, or desired to be given hereunder shall be deemed effectively given when personal delivery is tendered, when receipt by the receiving party is confirmed by the sender's facsimile machine, the day after the notice is deposited with a reputable overnight delivery service for next-day delivery, postage or freight prepaid, or five (5) days after being deposited in the United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, which notices shall be addressed as follows:

Hoopeston: Hoopeston Community Memorial Hospital
701 East Orange Street
Hoopeston, IL 60942

Attn: Harry Brockus, CEO
Fax:

With a copy to: Jennifer R. Breuer
191 N. Wacker Dr., Ste. 3700
Chicago, IL 60606-1698

Fax: (312) 569-3000

Carle: The Carle Foundation
611 West Park Street
Urbana, IL 61801

Attn: James Leonard, CEO
Fax:

With a copy to: Gregg Wallander
Hall, Render, Killian, Heath & Lyman, P.C.
One American Square, Suite 2000
Indianapolis, IN 46282

Fax: (317) 633-4878

Nursing Home: Hoopeston Retirement Village
Foundation, Inc.
700 East Orange Street
Hoopeston, IL 60942

Attn: CEO
Fax:

With a copy to: Jennifer R. Breuer
191 N. Wacker Dr., Ste. 3700
Chicago, IL 60606-1698

Fax: (312) 569-3000

or to such other address, and to the attention of such other person or officer as a Party may designate by providing written notice of such to each of the other Parties in accordance with this Section.

14.7. Severability. It is the intent of the Parties hereto that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies of the State of Illinois. In the event any provision of this Agreement is held to be invalid, illegal or unenforceable for any reason and in any respect under the laws of the State of Illinois, such invalidity, illegality, or unenforceability shall in no event affect, prejudice or disturb the validity of the remainder of this Agreement, unless doing so would result in an interpretation of this Agreement that is manifestly unjust to either or both of the Parties. Accordingly, if any provision of this Agreement shall be determined to be invalid or unenforceable, either in whole or in part, this Agreement shall be deemed amended to delete or modify, as necessary, the invalid or unenforceable provisions, or portions thereof, and to alter the balance of this Agreement in order to render the same valid and enforceable.

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

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

14.10. No Third-Party Beneficiaries. The terms and provisions of this Agreement are intended solely for the benefit of Hoopston, Nursing Home, and Carle, and their respective permitted successors or assigns, and it is not the intention of the Parties to confer, and this Agreement shall not confer, third-party beneficiary rights upon any other Person.

14.11. Entire Agreement; Counterparts; Amendment. Subject to Section 14.4, between Carle, Hoopston and Nursing Home, this Agreement supersedes all previous and/or contemporaneous contracts and agreements by and among the Parties hereto, whether oral or written, including the Letter of Intent executed by the Parties in December of 2010 and the Term Sheet executed by the Parties in March of 2011, as amended and/or restated, and constitutes the entire agreement of and between the Parties of whatsoever kind or nature with regard to the subject matter hereof. No Party shall be entitled to benefits other than those specified herein. As between the Parties, no oral statement or prior written material not specifically incorporated herein shall be of any force and effect. Each of the Parties specifically acknowledges that in entering into and executing this Agreement, the Party relied solely upon the representations and

agreements contained in this Agreement and no others. All prior representations or agreements, whether written or verbal, not expressly incorporated herein, are void and of no force and effect. This Agreement may be executed in counterparts, each and all of which shall be deemed an original and all of which together shall constitute but one and the same instrument. This Agreement may only be amended in a writing executed by the duly authorized representatives of the Parties, effective as of the date stipulated therein.

14.12. Time of the Essence. It is expressly agreed by the Parties that time is of the essence with respect to this Agreement and the performance of the obligations hereunder.

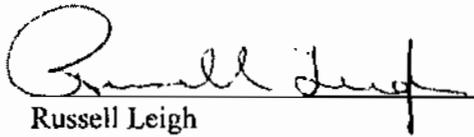
14.13. Indemnification of Carle. Nursing Home will indemnify, hold harmless, and defend Carle, and its respective officers, directors, trustees, employees, or agents (collectively, the "**Indemnitees**") from and against any and all losses, damages, expenses (including reasonable attorneys' and expert fees), claims, liabilities, suits or actions ("**Claims**"), resulting from the acts or omissions of Nursing Home or Hoopston that constitute breaches of any representations, warranties, or covenants made by Nursing Home or Hoopston in this Agreement. The foregoing indemnification obligations require that: (i) Carle shall notify Nursing Home in writing of the Claim within a reasonable period of time after becoming aware of such claim; and (ii) Nursing Home has primary control of the defense and all related settlement negotiations. Failure of the foregoing obligations shall affect the indemnification obligation only to the extent such failure materially and adversely impacts the ability of Nursing Home to successfully defend against the Claims. Nursing Home agrees that any settlement of such claim or cause of action shall release Carle and the Indemnitees fully, absolutely, and finally from any liability related to such cause of action. Nursing Home shall not agree to a settlement which names Carle or an Indemnitee as culpable absent the prior written consent of such Indemnitee. In the event that Nursing Home, in the reasonable judgment of Carle, lacks the financial resources to adequately and timely defend such claim or if Nursing Home has indicated in writing its unwillingness to so defend such claim, Carle may defend and Nursing Home shall reimburse, all costs related to such defense. Notwithstanding anything contained herein to the contrary, Nursing Home's indemnification obligations hereunder shall not exceed an amount, in the aggregate, equal to the amounts paid by Carle to Nursing Home pursuant to Section 6.1-2.

[signature page follows]

IN WITNESS WHEREOF, the Parties have caused this **AFFILIATION AGREEMENT** to be executed in multiple originals by their authorized officers, all as of the date and year first above written.

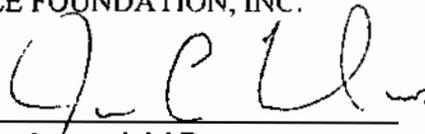
"Hoopeston"

HOOPESTON COMMUNITY MEMORIAL HOSPITAL

By: 
Russell Leigh
Chair of the Board

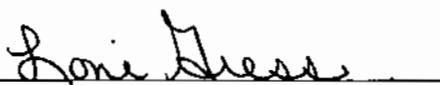
"Carle"

THE CARLE FOUNDATION, INC.

By: 
James Leonard, M.D.
President/CEO

"Nursing Home"

HOOPESTON RETIREMENT VILLAGE FOUNDATION, INC.

By: 
Loni Gress
Chair of the Board

STATE OF ILLINOIS

SS:

COUNTY OF VERMILION

On the 23 day of April in the year 2012 before me, the undersigned, a notary public in and for said state, personally appeared Russell Leigh, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.



Shirley Wagoner
Notary Public

STATE OF ILLINOIS

SS:

COUNTY OF CHAMPAIGN

On the 23 day of April in the year 2012 before me, the undersigned, a notary public in and for said state, personally appeared James Leonard, M.D., personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.



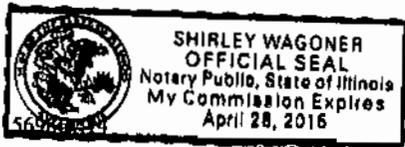
Deirdre A. Schmutz
Notary Public

STATE OF ILLINOIS

SS:

COUNTY OF VERMILION

On the 23 day of April in the year 2012 before me, the undersigned, a notary public in and for said state, personally appeared Loni Gress, M.D., personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.



Shirley Wagoner
Notary Public