

**MEMORANDUM OF UNDERSTANDING
AMONG THE
HOSPITAL AUTHORITY OF FLOYD COUNTY,
FLOYD HEALTHCARE MANAGEMENT, INC. d/b/a FLOYD MEDICAL CENTER, AND
CEDARTOWN-POLK COUNTY HOSPITAL AUTHORITY**

August 30, 2011

This Memorandum of Understanding (“**MOU**”) is intended to summarize the material terms and conditions of a proposed affiliation (the “**Affiliation**”) in which the Cedartown-Polk County Hospital Authority (“**Cedartown-Polk Authority**” or “**Lessor**”) desires to lease all of Lessor’s assets associated with Polk Medical Center, located at 424 North Main Street, Cedartown, Georgia, (“**Hospital**”) to the Hospital Authority of Floyd County (“**Floyd Authority**” or “**Lessee**”), with the day-to-day operations of the Hospital to be managed by a Georgia nonprofit corporation to be called Polk Medical Center, Inc. (“**PMCI**”). Floyd Healthcare Management, Inc., d/b/a Floyd Medical Center, (“**Floyd Medical Center**”) will be the sole member of PMCI. Governance of PMCI will be through a nine person board of directors, six of whom will be residents of Polk County. The initial six Polk County appointees shall be sitting members of the Cedartown-Polk Authority. The parties desire that the closing of the Affiliation described herein (“**Closing**”) shall occur on or about January 1, 2012, following satisfaction of all those conditions set forth in the Conditions for an Affiliation to Occur Section (Section 13 below).

1. Anticipated Benefits to Affiliation. The parties anticipate that the Affiliation will create a beneficial and collaborative relationship among the Cedartown-Polk Authority, the Floyd Authority, Floyd Medical Center and PMCI to serve the needs of Polk County. It is the intent of the Affiliation that the Hospital be operated at all times in furtherance of the Cedartown-Polk Authority’s objectives, including that the Hospital meet the public health needs of the communities it serves, operate for the benefit of the general public and have a beneficial effect upon health care in those communities. Through this Affiliation, the Floyd Authority and the Cedartown-Polk Authority will make additional facilities and care available in the Cedartown-Polk Authority’s service area. Floyd Authority, Floyd Medical Center and PMCI will enter into agreements with Cedartown-Polk Authority to:

- (i) lease the current Hospital and related real estate and personal property (“**Hospital Lease**”);
- (ii) offer employment to all of Hospital’s current employees who request continued employment at the Hospital;
- (iii) construct a new hospital to be owned by Cedartown-Polk Authority and medical office building (“**Hospital Construction Agreement**”) to replace the Hospital (“**Replacement Hospital**”) at no cost to the Cedartown-Polk Authority;
- (iv) provide for the maintenance and expansion of health care and medical services provided by the Hospital and Replacement Hospital (“**Core Services Agreement**”); and

- (v) provide for the renovation and renewal of Hospital while the Replacement Hospital is being constructed as well as its potential re-use once the Replacement Hospital is completed (“**Hospital Re-use Agreement**”).

The Floyd Authority and/or Floyd Medical Center together with PMCI will bring to the Hospital and Replacement Hospital the following:

- The Floyd Authority, through PMCI and Floyd Medical Center, will use its best efforts to recruit needed physicians to meet the healthcare needs of the residents of Polk County consistent with the scope of services commonly available in communities served by hospitals of similar size to Hospital and Replacement Hospital, and will bring to the Hospital and Replacement Hospital Floyd Medical Center’s experience in aligning physicians with the Hospital’s overall quality and financial goals.
- The Floyd Authority, together with Floyd Medical Center and PMCI, will continue the provision of indigent and charity care with Floyd Medical Center and Hospital or Replacement Hospital jointly providing at least sixty-five percent (65%) of indigent and charity hospital care provided to Polk County residents.
- Floyd Medical Center, the number one hospital in the nation in overall employee satisfaction as documented by HR Solutions, will employ all Hospital employees wanting to be employed by Floyd Medical Center to continue working at Hospital and Replacement Hospital with all Hospital employees being integrated into Floyd Medical Center with expanded career opportunities.
- The Floyd Authority, Floyd Medical Center and PMCI commit that no management fee will be charged and all cash flow after direct expenses from the operation of Hospital and Replacement Hospital will be retained by PMCI for use in meeting its and Cedartown-Polk Authority’s mission.
- The Floyd Authority, Floyd Medical Center and PMCI, as further described in Section 11 below, commit that governance of Hospital and Replacement Hospital will remain in the hands of Polk County residents and that governance will be real and direct.
- Floyd Medical Center will commit the human and financial capital to achieve the strategic goals of the Affiliation.
- Floyd Medical Center will contractually commit to the construction of the Replacement Hospital to be completed and operational by January 1, 2016, and such renovations and improvements in facilities and equipment as may be needed to enhance the services of Hospital during construction of Replacement Hospital.
- The Floyd Authority, through Floyd Medical Center, will bring to Hospital and Replacement Hospital Floyd Medical Center’s experience and ability as the market leader in the region for hospital care to expand the use of Hospital and Replacement Hospital by the residents of Polk County resulting in more care being directly provided in Polk County to Polk County residents.

- The Floyd Authority, through PMCI and/or Floyd Medical Center, will implement financial management strategies and operational improvements for Hospital and Replacement Hospital.
- The Floyd Authority, through PMCI and/or Floyd Medical Center, will bring to the Hospital and Replacement Hospital Floyd Medical Center's experience in urgent and primary health centers to broaden the Hospital and Replacement Hospital's scope of services.
- The Floyd Authority, through PMCI and/or Floyd Medical Center, will make available to the Hospital and Replacement Hospital Floyd Medical Center's advanced clinical and business solutions and information systems management to enhance productivity and realize significant savings.

The services, support and relationship between and among the Floyd Authority, Floyd Medical Center, the Cedartown-Polk Authority and PMCI briefly described in this paragraph will form the basis for discussions to formulate the terms of the Affiliation and the definitive agreements for the Affiliation.

2. Type of Transaction-Leased Authority Hospital. The Affiliation shall be in the form of two leases. For a term of five (5) years the assets of the Hospital owned by the Cedartown-Polk Authority will be leased to the Floyd Authority under a written lease ("**Hospital Lease**"). Floyd will incorporate a new Georgia non-profit, tax-exempt corporation, Polk Medical Center, Inc. PMCI will enter into a management agreement with the Floyd Authority pursuant to which PMCI will manage the day-to-day operations of the Hospital during the Lease until construction of the Replacement Hospital is completed and the Replacement Hospital is ready to admit patients. Once the Replacement Hospital is ready to admit patients and after all statutory and any applicable regulatory requirements have been satisfied, Cedartown-Polk Authority will Lease to PMCI for a term of thirty-five (35) years the Replacement Hospital and the operating assets of Cedartown-Polk Authority. PMCI will become the lessee and operator of Replacement Hospital.

The Leases, as appropriate, will provide:

- The current Hospital facility and all related real property and related personal property (Hospital Lease) owned by the Cedartown-Polk Authority will be leased to Floyd Authority for a term of five (5) years.
- Upon completion of construction and licensure of Replacement Hospital, Replacement Hospital and the operating assets of Cedartown-Polk Authority shall be Leased to PMCI for a term of thirty-five (35) years.
- The Floyd Authority will be responsible for operating the Hospital, billing and collecting charges for services and payment of all Hospital or Replacement Hospital expenses.
- The Floyd Authority shall assume the current Medicare provider numbers for the Hospital.
- As needed, Floyd Medical Center shall provide all cash and working capital required for Hospital's operation during the term of the Leases.
- The Leases will prohibit the Floyd Authority from changing the mission statement of the Hospital without the specific written approval of the Cedartown-Polk Authority and PMCI.

- The obligations of the Floyd Authority and PMCI under the Leases will be guaranteed by Floyd Medical Center.
- At all times during the term of the Leases Cedartown-Polk Authority will be the owner and Lessor of Hospital and Replacement Hospital (once construction and licensure of Replacement Hospital is completed).
- All assets leased to Floyd Authority and PMCI (including Replacement Hospital) will return to the Cedartown-Polk Authority at the Leases' expiration or earlier termination.
- Pursuant to the Hospital Lease, a lease payment of \$20,000.00 per month shall be paid to Cedartown-Polk Authority until the earlier of either: (i) construction of the Replacement Hospital is complete or (ii) the sum of \$480,000.00 has been accumulated to be held and used by the Cedartown-Polk Authority as described below at Section 5.
- For such funds as are annually required by Cedartown-Polk Authority to pay its operating expenses, perform its responsibilities under the Georgia Hospital Authorities Law and assure compliance by the parties with the definitive agreements of the Affiliation, so as to maintain the Cedartown-Polk Authority's cash reserves at its present level.
- Provisions and commitments by the Floyd Authority for the assumption of certain Cedartown-Polk Authority's liabilities related to Hospital or Replacement Hospital, including assistance in funding the repurchase of personal property assets related to the operation of the Hospital by way of loans to the Cedartown-Polk Authority.
- To ensure continuity of care in the community, the Hospital's medical staff members in good standing immediately prior to the effective date of the Lease shall maintain such medical staff privileges at the Hospital immediately upon the effective date of the Lease, and, subject to due diligence, the Floyd Authority, as lessee, will adopt the current Medical Staff Bylaws in use by the current lessee of Hospital.
- The Leases will contain all those terms and provisions customarily included in a lease by a Georgia hospital authority and shall contain all those provisions required by the Georgia Hospital Authorities Law for the Lease by Cedartown-Polk Authority of Hospital.

3. Employees. Floyd Medical Center will offer employment to all of the employees of the Hospital who want to be employed at Hospital on the effective date of the Lease as follows:

- Subject to Floyd Medical Center's customary employment screening practices, Floyd Medical Center will make written offers of employment to each Hospital employee employed at Hospital on the effective date of the Lease to work at Hospital, and who applies for such employment.
- The amount of salary or wages and the type and value of benefits provided by Floyd Medical Center to those employees shall not be less than those received by those employees from their current employer as of the date of this MOU.

- Floyd Medical Center shall honor the hired employees' prior service credit with the Hospital for purposes of satisfying pre-existing condition limitations in Floyd Medical Center's welfare benefit plans.
- Floyd Medical Center shall honor prior length of service for purposes of eligibility and vesting in Floyd Medical Center's retirement and other benefit plans.

4. Replacement Hospital. Cedartown-Polk Authority, Floyd Medical Center and PMCI shall enter into a detailed agreement for the construction of the Replacement Hospital (the "**Hospital Construction Agreement**"). The Hospital Construction Agreement will obligate PMCI and Floyd Medical Center to design, construct and open a 25-bed replacement Medicare participating Acute Care Critical Access Hospital with at a minimum such space, facilities and equipment necessary to provide the Core Services (as defined in Section 6 below) and with a 24-hour emergency department and a minimum of two (2) operating rooms (the "**Replacement Hospital**") on the Cedartown-Polk Authority's land located at Highway 278 within forty-eight (48) months of January 1, 2012. Replacement Hospital shall provide at a minimum the Core Services as described in Section 6 below and such additional services as the parties may agree upon.

The Hospital Construction Agreement will set forth a proposed timeline for the construction of Replacement Hospital including dates by which significant pre-construction actions such as the acquisition of the land upon which Replacement Hospital will be constructed, the filing of an application for a Certificate of Need for Replacement Hospital and selection of architects, contractors and other consultants, completion of Construction Drawings and receipt of building permit should occur ("**Construction Timeline**"). Floyd Medical Center's commitment to construct Replacement Hospital will not be contingent upon financing. The Cedartown-Polk Authority will not be obligated to pay for the construction of Replacement Hospital.

The Hospital Construction Agreement will provide:

- The Cedartown-Polk Authority shall acquire and own the land located on Highway 278 upon which the Replacement Hospital will be built. The land acquired by Cedartown-Polk Authority must be suitable for the construction and operation of Replacement Hospital and either must contain sufficient acreage or sufficient contiguous acreage must be available to support the development of medical office buildings and a medical mall.
- The Cedartown-Polk Authority has previously purchased the site for the Replacement Hospital and placed under contract real estate adjacent thereto. The Hospital Construction Agreement or related agreement will require Floyd Medical Center to provide the consideration and related cost for the Cedartown-Polk Authority to purchase said adjacent real estate.
- Floyd Medical Center, PMCI and the Cedartown-Polk Authority will mutually agree on architects, contractors and other consultants and the Cedartown-Polk Authority and its consultants will participate in the design and construction process.
- Plans and specifications for the Replacement Hospital must be jointly approved by PMCI, Floyd Medical Center and the Cedartown-Polk Authority.

- Floyd Medical Center intends to employ the most cost effective means of obtaining financing for construction to minimize the cost of the Replacement Hospital including the possible use of taxable or tax-exempt debt issued by an appropriate issuer, and the Cedartown-Polk Authority will cooperate with Floyd Medical Center in this regard.
- Construction of Replacement Hospital will begin when all agreed upon pre-conditions, such as obtaining a Certificate of Need, have occurred.
- An additional payment to Cedartown-Polk Authority from an escrow account controlled by the Cedartown-Polk Authority and funded by Floyd Medical Center at \$60,000.00 per month during the lease of the Hospital or until completion of the Replacement Hospital to protect Cedartown-Polk Authority in the event construction of Replacement Hospital does not begin by a date which permits completion of construction and licensure of Replacement Hospital by January 1, 2016, unless the date is modified due to delayed regulatory approvals, third party litigation or other defined intervening contingencies.
- If a contractor to construct Replacement Hospital is not selected and ground breaking for construction of Replacement Hospital does not occur by the date specified in the Construction Timeline, unless the date is modified due to delayed regulatory approvals, third party litigation or other defined intervening contingencies, the Cedartown-Polk Authority will have the right to draw funds from the escrow account at the rate of \$15,000.00 per day for each day from the Construction Timeline ground breaking date until groundbreaking actually occurs.
- Furthermore, the escrowed funds will remain in escrow until the ultimate date for opening Replacement Hospital occurs; and if the opening of Replacement Hospital shall not have occurred by that date then the Cedartown-Polk Authority will have the right to draw funds from the escrow account at the rate of \$15,000.00 per day from the date Replacement Hospital was to open until it does open.
- The escrowed funds not drawn down by Cedartown-Polk Authority will be returned to Floyd Medical Center when the conditions warranting a drawdown to protect the Cedartown-Polk Authority have been resolved.
- Contain all other terms, provisions, conditions, and representations customarily included in an agreement to design, construct, equip and open a 25-bed Medicare Critical Access Hospital.

The Hospital Construction Agreement will further obligate Floyd Medical Center to develop directly or through a third party a medical office building adjacent to Replacement Hospital. With the approval of Cedartown-Polk Authority, Floyd Medical Center will promptly retain a consultant to test market development and leasing potential of the medical office building and, based upon the consultant's recommendation, Floyd Medical Center will develop directly or through a developer the recommended initial size of the building; but in no case smaller than adequate to accommodate up to six (6) providers, and expandable to at least twelve (12) providers. Taking into consideration the findings and recommendations of the medical office building consultant, it is the intent of the parties that a medical office building will be constructed as soon as feasible in order to support the Replacement Hospital and the delivery of physician services in Polk County, but in no case later than

the opening of the Replacement Hospital. Floyd Medical Center may also develop a medical mall in conjunction with Replacement Hospital and the medical office complex.

5. Renovation and Re-Use of Hospital. Floyd Medical Center and PMCI will enter into an agreement with the Cedartown-Polk Authority (the **“Hospital Re-Use Agreement”**) for PMCI and Floyd Medical Center to: (i) spend at a minimum \$2,000,000.00 from the effective date of the Lease until Replacement Hospital is licensed to refurbish and renovate appropriate portions of Hospital and/or purchase equipment for use at the Hospital but which will also be useable equipment at Replacement Hospital and (ii) be responsible during construction of Replacement Hospital for planning for the re-use of the Hospital.

Under the terms of the Hospital Re-Use Agreement:

- The Cedartown-Polk Authority will escrow the \$20,000.00 monthly lease payment it receives under the Lease, (as described in Section 2 above) until the month when Replacement Hospital admits its first patient, at which time the funds in the escrow will be used by the Cedartown-Polk Authority to fund the cost of implementing the re-use plan for Hospital.
- PMCI and Floyd Medical Center will be obligated to determine, through the use of a consultant and involvement of the Cedartown-Polk Authority and other appropriate community agencies, an adaptive re-use of the Hospital.
- Healthcare services which could be provided on the campus of the Hospital after Replacement Hospital begins operation as a licensed hospital may include: primary care physician offices, occupational health services, sleep lab, wound, ostomy and incontinence clinic, exercise and wellness center, patient education center, adult medical day care programs, and outpatient psychiatric/substance abuse services.
- Planning for the re-use of the Hospital will begin as soon as practical after January 1, 2012.
- Any disposition of the Hospital must be acceptable to the Cedartown-Polk Authority, PMCI and Floyd Medical Center and generally consistent with community input.
- Floyd Medical Center and PMCI will fund the cost of developing the re-use plan for Hospital.
- Cedartown-Polk Authority will fund from the escrow account implementation of the re-use plan. Should the funds escrowed for the re-use of Hospital prove insufficient for the agreed upon re-use, Floyd Medical Center will provide additional funding, provided the additional funding plus the Cedartown-Polk Authority’s balance of escrowed funds from the monthly lease payment does not exceed the total cost to raze and dispose of all buildings and improvements on the Hospital’s site.
- Any funds not expended by Cedartown-Polk Authority implementing the re-use plan or the disposition of the Hospital and not needed by the Authority for reserves for its operations will be contributed to PMCI for use at Replacement Hospital.
- In the event part or all of the old campus of the Hospital cannot be used for an acceptable alternative use, the Hospital Re-Use Agreement will provide for Floyd Medical Center to

raze the remaining structures at its expense and for the Cedartown-Polk Authority to donate the land to either a government agency or a Polk County tax-exempt, not-for-profit corporation of its choice.

No services will be provided at Hospital after Replacement Hospital begins operations as a licensed hospital that would cause Replacement Hospital to lose its previously granted regulatory approvals or license to operate as a hospital or compete with services offered at the Replacement Hospital.

6. Services to the Community. The Floyd Authority and Floyd Medical Center understand that the Cedartown-Polk Authority requires the Hospital and Replacement Hospital to continue to be a Medicare provider and a Critical Access Hospital with twenty-five (25) licensed hospital acute care beds and offering substantially the same range of services as it currently offers after the Closing of this Affiliation. The parties to this MOU will enter into a written agreement (the “**Core-Services Agreement**”) to address the range of services (clinical and non-clinical, including business support services) to be offered by the Hospital and Replacement Hospital. As of the effective date of this MOU, Floyd Authority and Floyd Medical Center understand that the Hospital currently offers the following services: emergency department, ENT, geriatric services, hand therapy and rehabilitation, inpatient hospice, intermediate nursing beds, laboratory services, long term care, occupational therapy, orthopedics, physical therapy, fluoroscopy, 16-slice CT, nuclear radiology, digital mammography, ultrasound, MRI, bone densitometry, respiratory therapy, senior enrichment center, skilled nursing beds, speech therapy, sports medicine center, and wound care (collectively, the “**Core Services**”).

The Cores Services Agreement will:

- Verify the Core Services that are offered by Hospital.
- Obligate Floyd Medical Center and PMCI to work with the Cedartown-Polk Authority prior to Closing to design a plan to meet the needs of the Cedartown-Polk Authority to maintain and enhance the Core Services without jeopardizing the financial viability of the Hospital.
- Obligate the Floyd Authority, PMCI and Floyd Medical Center to maintain and enhance the verified Core Services for the term of the Leases.
- Make the elimination or reduction in Core Services for any reason, including, but not limited to reimbursement and changes in technology, during the term of the Leases require the approval of both PMCI and the Cedartown-Polk Authority.
- Contain provisions for the Floyd Authority, PMCI and Floyd Medical Center to consider and, where appropriate, implement expanded services at the Hospital or Replacement Hospital and seek regulatory approvals where required.

7. Charity Care and Indigent Care. Throughout the term of the Lease, the Floyd Authority will provide indigent and charity care at the Hospital, including access to Hospital services by indigent persons, in full compliance with state and federal law without discrimination, and will neither enact, nor will it cause or permit to be enacted, financial admission policies that have the effect of denying essential medical services or treatment solely because of a patient’s immediate inability to pay for hospital services. Any changes to the Hospital’s Charity Care Policy would require the approval of the Cedartown-Polk Authority. The Lease will contain the commitment that

Floyd Medical Center and Hospital together will provide at least sixty-five percent (65%) of the indigent and charity care hospital services needed by Polk County residents each year. As determined by the annual Georgia Hospital Financial Survey, if the Hospital or Replacement Hospital together with Floyd Medical Center do not provide at least sixty-five percent (65%) of the total indigent and charity care hospital services rendered to Polk County residents in any given year, Floyd Medical Center will reimburse the difference between the amount provided and sixty-five percent (65%) to those hospitals that provided indigent and charity care to Polk County residents at those hospitals' cost of care, in proportion to care each hospital provided. All Georgia hospitals that provide indigent and charity care to Polk County residents shall be deemed third party beneficiaries to this commitment.

8. Physician Recruitment. The Floyd Authority, through PMCI or Floyd Medical Center, shall promote and pursue in earnest, and as soon as possible after Closing, the enhancement of the Hospital's medical staff by funding physician recruitment consistent with the needs identified in physician needs studies to be periodically (but at least once every five (5) years) performed. After execution of this MOU, Floyd Medical Center will promptly commission the first such physician needs study and will support medical staff development consistent with the results and findings of such study as follows:

- Floyd Medical Center through PMCI on behalf of the Floyd Authority will commit in the aggregate a minimum of \$2,000,000.00 during the five (5) year period following the Closing in connection with the employment of physicians in Polk County and the recruitment of new physicians to locate offices in Polk County.
- The expenditure of \$2,000,000.00 will include monies spent or paid by PMCI or Floyd Medical Center in connection with direct recruiting expenses, practice start-up or continuation expenses, income guarantees and costs, practice subsidies or other similar payments, but excluding provider compensation except that portion reimbursing losses at the provider practice.
- These physician recruitment obligations shall be contained in the Lease.

9. Payment in Lieu of Taxes. Throughout the term of the Lease, PMCI shall pay an annual payment in lieu of taxes ("**PILOT**") to Polk County (and the City of Cedartown, as the case may be) in an amount equal to what the ad valorem tax payment on the Hospital and Replacement Hospital's real and personal properties would be if PMCI was a proprietary, tax-paying entity. This obligation shall be contained in the Lease. This commitment shall be guaranteed by Floyd Medical Center. In addition, the Parties hereto will apply to the City of Cedartown, Georgia for annexation into the City's limits of the land upon which the Replacement Hospital is to be developed, provided annexation is permissible under Georgia law.

10. Local Use of Funds. Throughout the term of the Lease, the Floyd Authority shall retain in PMCI all net cash flow generated by the Hospital or Replacement Hospital for use by Hospital or Replacement Hospital as determined by PMCI. No management fee will be paid by Hospital, Replacement Hospital or Cedartown-Polk Authority for the management of Hospital or Replacement Hospital. Floyd Medical Center will provide management and support services to Floyd Authority and PMCI for Hospital and Replacement Hospital and the actual, direct cost of those services will be reimbursed to Floyd Medical Center. Any indirect costs incurred by Floyd Medical Center will not be paid by PMCI to Floyd Medical Center and will not be included in the calculation

of net cash flow for the purposes of this commitment. Floyd Authority, Floyd Medical Center and PMCI shall be entitled to be reimbursed or paid from the income of Hospital or Replacement Hospital all direct expenses, costs, debts, liabilities or amounts of any type or kind due them and incurred in the performance of the Lease, Management Services Agreement or Employee Lease Agreement and any other Affiliation agreement unless the terms of the agreement do not provide for reimbursement or repayment.

11. Governance Structure of PMCI. The Lease will provide that PMCI will be incorporated as a Georgia nonprofit corporation and organized and operated so as to qualify for recognition of exemption from federal income tax under Section 501(c)3 of the Internal Revenue Code, as amended. The articles of incorporation of PMCI will specify that PMCI's sole member shall be Floyd Medical Center. The Board of Directors will be comprised of nine (9) voting members, appointed by Floyd Medical Center's Board, with six (6) to be residents of Polk County and with at least one of the six being at all times a currently serving member of the Cedartown-Polk Authority. Of the three PMCI Board seats not filled by Polk County residents, two (2) members will be members of Floyd Medical Center's Board and one (1) member will be the President/CEO of Floyd Medical Center. The PMCI Administrator or CEO will serve as the non-voting Secretary of the Board of Directors. The six (6) Polk County resident seats will be initially nominated by mutual agreement between the Floyd Authority and the Cedartown-Polk Authority from the sitting members of the Cedartown-Polk Authority, and thereafter the PMCI Board members will nominate replacement PMCI Board members for vacancies among the six (6), subject to approval of the Board of Floyd Medical Center. PMCI will conduct its meetings in accord with Georgia's Open Meetings and Open Records Laws. The Board of Directors of PMCI will have complete governing authority over PMCI and Replacement Hospital with certain reserved rights requiring the approval of Floyd Medical Center as sole member set forth in the articles of incorporation of PMCI, including:

- Dissolution of the PMCI
- Sale, merger or disposition of all or substantially all of the assets of PMCI
- Adopting a plan of merger with another corporation
- Approval of capital and operating budgets, and any subsequent changes exceeding 10% of the budget as a whole
- Termination of any contract or lease between Lessee and Lessor
- Any action that would cause loss of tax exempt status
- Incur any liability or indebtedness in excess of \$1,000,000, indexed for the HPI
- Appoint or remove the independent Auditors of PMCI
- Select or remove the Chief Executive Officer of PMCI
- Changes to the mission, strategic plans or master facility plans for PMCI
- Amend the Articles of Incorporation or Bylaws of PMCI (which shall also require the approval of the PMCI Board)

The articles of incorporation of PMCI and such other corporate documents of Floyd Medical Center as are appropriate will further obligate Floyd Medical Center to add two (2) seats to the Floyd Medical Center Board of Directors to be filled by persons selected from among the six (6) Polk County residents serving on the PMCI Board of Directors.

12. Continued Operations of the Cedartown-Polk Authority. Cedartown-Polk Authority will continue to exist and operate after the Closing as the owner and lessor of Hospital and Replacement Hospital. The Lease shall provide for the funding and maintenance of sufficient funds for future operations of the Cedartown-Polk Authority. The Lease will require the Floyd Authority and PMCI to annually provide the Cedartown-Polk Authority with:

- Audited financial statements and a report on the operations of the Hospital or Replacement Hospital.
- A report on compliance with the Lease and such other reports as the Lease or the Georgia Hospital Authorities Law may require.
- Operating and capital budgets for the Hospital or Replacement Hospital within 45 days after the start of each fiscal year of the Floyd Authority.

As required by the Georgia Hospital Authorities Law, the Cedartown-Polk Authority shall meet at least quarterly, which meetings may occur jointly with meetings of the Board of Directors of PMCI. Members of the Cedartown-Polk Authority may be asked to serve on various committees of the Board of Directors of PMCI.

13. Conditions For An Affiliation to Occur. The Lease shall define those conditions which must occur on or before Closing for the completion of an Affiliation for the Floyd Authority to lease and operate Hospital which shall include the following (the “**Conditions for an Affiliation to Occur**”):

A. The Hospital Lease, Asset Lease, Core Services Agreement, Hospital Construction Agreement, Replacement Hospital Lease, and Hospital Re-Use Agreement must be approved by the Floyd Authority, Floyd Medical Center and the Cedartown-Polk Authority before they may be executed. No binding contractual agreement for the Lease by the Floyd Authority of the Hospital or the construction of Replacement Hospital shall exist unless and until the Floyd Authority, Floyd Medical Center and the Cedartown-Polk Authority shall have each approved the Lease, Core Services Agreement, Hospital Construction Agreement, and Hospital Re-Use Agreement, which shall contain all those provisions representations, warranties, and other terms and conditions agreed to by the parties in the development of these agreements, all of which must be acceptable to the parties in their sole discretion. The parties agree that the Lease, Core Services Agreement, Hospital Construction Agreement, and Hospital Re-Use Agreement should be each in final form and ready to be acted upon by the Floyd Authority, Floyd Medical Center and the Cedartown-Polk Authority on or before October 31, 2011, or this MOU will terminate unless such time is extended by written agreement of the parties.

B. The formation of PMCI in accordance with Section 11 above and application for the issuance of a determination letter by the Internal Revenue Service that PMCI is exempt from federal income taxation under Section 501(c)3 of the Internal Revenue Code, as amended.

C. Compliance with or exemption from any and all federal, State of Georgia, and other applicable statutory requirements or regulatory approvals, including but not limited to the State of Georgia Hospital Authorities Law (O.C.G.A. §§ 31-7-70 *et seq.*), State of Georgia Hospital Acquisition Act (O.C.G.A. §§ 31-7-400 *et seq.*), and Georgia Certificate of Need requirements required to complete the Affiliation; satisfaction of those requirements; and the absence of any governmental prohibition or threatened prohibition of Closing by the State of Georgia, the U.S. Department of Justice, or the Federal Trade Commission.

D. Receipt by the Floyd Authority within the time period established by the particular law, statute, or regulation of all federal, State of Georgia, and local licenses, approvals, consents, permits, certificates of need or exemption therefrom, provider agreements, zoning requirements, environmental or other matters necessary for the Floyd Authority to lease and operate the Hospital as a Georgia licensed acute care Critical Access Hospital.

E. Execution of the Lease, Hospital Construction Agreement, Core Services Agreement, Hospital Re-Use Agreement and any other necessary or required agreements by the parties thereto.

F. Receipt by the Floyd Authority of “as built” surveys, title reports, engineering reports and environmental reports upon the assets and operations of the existing Hospital or any leased or owned property to be leased to the Floyd Authority satisfactory to the Floyd Authority.

It is the intent of the parties to this MOU that they shall use best efforts for all Conditions for an Affiliation to Occur so that the Lease becomes effective January 1, 2012 (the “Closing”).

14. Alternative Proposals. In consideration of the time, effort and other expense by the Floyd Authority and Floyd Medical Center in connection with the contemplated Affiliation, the Cedartown-Polk Authority agrees that it will not, after the effective date of this MOU and until the later of (a) October 31, 2011 or (b) the termination of this MOU, whether directly or indirectly, initiate, solicit, encourage, or respond to (in any substantial way) any inquiries or proposals or enter into or continue any discussions, negotiations, understandings, arrangements or agreements relating to: (i) any lease of all or any significant portion of the assets which are associated with or used in connection with the operation of the Hospital; (ii) any management or lease arrangement in connection with the business and operation of the Hospital; or (iii) provide any assistance, information or data to, or otherwise cooperate or have discussions with, any other person or entity in connection with any such inquiry, proposal or agreement to lease or manage Hospital. In the event such a proposal is received by Cedartown-Polk Authority, after notifying Floyd Medical Center of the receipt of such proposal, Cedartown-Polk Authority will promptly notify any such third party of the existence of this exclusivity covenant and of Lessor’s unwillingness to discuss any other proposed lease or management agreement until this MOU is terminated other than by execution of the Lease.

15. Access; Due Diligence. The Cedartown-Polk Authority shall permit the Floyd Authority and Floyd Medical Center and their counsel, accountants and other representative’s reasonable access during normal business hours on reasonable notice to the properties, assets, books, records, agreements and other documents of the Cedartown-Polk Authority and any associated or affiliated entity. The Cedartown-Polk Authority shall furnish to the Floyd Authority and Floyd

Medical Center and their representatives all information concerning the Hospital as the Floyd Authority or Floyd Medical Center may reasonably request and the Cedartown-Polk Authority possesses. The Cedartown-Polk Authority shall permit and facilitate communications between the Floyd Authority and Floyd Medical Center and the Cedartown-Polk Authority's current lessee, HCA Inc., and other persons having relationships with the Hospital. Cedartown-Polk Authority shall not be required to disclose any information regarding medical or employee records, the confidentiality of which is legally protected or to provide access to the Hospital in a manner which would unreasonably interfere with the delivery of patient care or violate terms of the operating lease with HCA Inc. The parties acknowledge that some of this information (such as pricing, reimbursement rates, salaries and wages) could constitute competitively sensitive information, and agree that, in such event, appropriate steps will be taken regarding the handling of competitively sensitive information, such as use of a third party to review, evaluate and compile such information. Floyd Medical Center and Floyd Authority shall permit the Cedartown-Polk Authority and their counsel, accountants and other representative's reasonable access during normal business hours on reasonable notice to the properties, assets, books, records, agreements and other documents of the Floyd Medical Center and Floyd Authority and any associated or affiliated entity. Floyd Medical Center and Floyd Authority shall furnish to the Cedartown-Polk Authority and their representatives all information concerning Floyd Medical Center and Floyd Authority as the Cedartown-Polk Authority may reasonably request and Floyd Medical Center and Floyd Authority possesses. Floyd Medical Center and Floyd Authority shall not be required to disclose any information regarding medical or employee records, the confidentiality of which is legally protected. The parties acknowledge that some of this information (such as pricing, reimbursement rates, salaries and wages) could constitute competitively sensitive information, and agree that, in such event, appropriate steps will be taken regarding the handling of competitively sensitive information, such as use of a third party to review, evaluate and compile such information.

16. Confidentiality; Public Statements. The parties agree and acknowledge that the terms and conditions of that certain Confidentiality Agreement dated as of January 14, 2011, between Cedartown-Polk Authority and Floyd Medical Center remains in full force and effect. Except as otherwise provided herein, no party to this MOU may, whether directly or indirectly, issue any press release or make any other announcement disclosing the existence of this MOU, the matters contemplated herein including, without limitation, the existence of negotiations with respect to the possible Affiliation, without the prior written consent of the other parties, except where a disclosure or other announcement is required by law, as reasonably determined by the disclosing party (in which event the party shall, as soon as reasonably practical but in any such event prior to the announcement, give notice to the other party of such determination and consult with the other party concerning the terms of such announcement). If either Lessee or Lessor, whether directly or indirectly, issues any press release or makes any other announcement contemplated by this Section, then the other party hereto shall have the right to issue a press release or make an announcement with respect to such matters contemporaneously. The parties agree that a public announcement will be made upon the signing of the MOU in which the terms of the MOU will be disclosed.

17. Costs and Expenses. The Cedartown-Polk Authority, Floyd Authority and Floyd Medical Center will pay their own costs and expenses, including the fees of attorneys, accountants, brokers and other advisors, incurred in connection with the execution and delivery of this MOU. Upon the effective date of this MOU and as provided in more detail in the definitive agreements. Floyd Medical Center agrees to reimburse Cedartown-Polk Authority for all of its fees and expenses incurred from that date and those of its respective brokers, agents, advisers, attorneys and accountants associated with, but not limited to, the negotiation, implementation and Closing of the

Leases and all other definitive agreements. Floyd Medical Center will also pay the costs associated with its due diligence. Floyd Medical Center will be solely responsible for any and all costs for public relations and legal matters where the Cedartown-Polk Authority, Floyd Authority, or Floyd Medical Center is a named defendant or which arise from similar agreement-related events.

18. Amendment and Non-assignment. Any waiver, amendment, modification or supplement of or to any term or condition of this MOU shall be effective only if in writing and signed by both parties hereto. This MOU is not assignable by any party hereto without the prior written consent of the other parties.

19. Counterparts; Effective Date of MOU. This MOU may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The parties hereto agree that the effective date of this MOU is the date set forth on the first page of this MOU as the date of the MOU.

20. Transition of Hospital to Cedartown-Polk Authority. Hospital is as of the effective date of this MOU leased to Columbia Polk General Hospital, Inc. ("CPGH"), a subsidiary of HCA Inc., pursuant to a written lease dated July 2, 1996, as subsequently amended. The lease agreement between Cedartown-Polk Authority and CPGH will terminate and expire at midnight on December 31, 2011. Under the terms of the July 2, 1996 lease agreement the Cedartown-Polk Authority is to re-purchase from CPGH on December 31, 2011 certain defined assets it sold CPGH on July 2, 1996 and CPGH is to transition the operations of Hospital to Cedartown-Polk Authority. As requested by Cedartown-Polk Authority, Floyd Medical Center will assist it with the transition of the operations of the Hospital back to Cedartown-Polk Authority, including but not limited to, loaning or advancing funds to Cedartown-Polk Authority to be used by Cedartown-Polk Authority in fulfillment of its obligations under the July 2, 1996 lease.

21. Definitive Agreement; Termination.

A. Except for the provisions of Sections 13, 14, 17 and this Section 21, until such time as each of the Section 13 Conditions for an Affiliation to Occur are satisfied and the Cedartown-Polk Authority, Floyd Authority, and Floyd Medical Center shall each, in its own discretion, have approved, executed and delivered the Lease, Core Services Agreement, Hospital Construction Agreement, and Hospital Re-Use Agreement, this MOU shall not bind the parties hereto to lease, replace or operate the Hospital. The provisions of this MOU shall only be binding upon the parties for the purposes set forth in Sections 13, 14, 17 and this Section 21 for the purpose of developing the final form of the Lease, Core Services Agreement, Hospital Construction Agreement, and Hospital Re-Use Agreement. Due to the complexity of the proposed Affiliation, it is the expressed intention of the parties that except for the provisions of Sections 13, 14, 17 and this Section 21, no binding contractual agreement shall exist between them unless and until the Cedartown-Polk Authority, Floyd Authority, and Floyd Medical Center shall have each approved, executed and delivered the Lease, Core Services Agreement, Hospital Construction Agreement, and Hospital Re-Use Agreement which may contain the provisions outlined above, such other provisions representations, warranties, and other terms and conditions as are agreed to during negotiations and such, all of which must be acceptable to each party in its sole discretion (including, without limitation, contingencies for all necessary regulatory approvals).

B. In the event the Cedartown-Polk Authority, Floyd Authority and Floyd Medical Center shall not have each approved the Lease, Core Services Agreement, Hospital Construction Agreement, and Hospital Re-Use Agreement by October 31, 2011, then this MOU may be terminated by any party at any time after October 31, 2011, unless the parties mutually agree to a further extension of this termination date.

CEDARTOWN-POLK COUNTY HOSPITAL AUTHORITY

By: _____
Harold W. Wyatt, Jr.,
Chairman

HOSPITAL AUTHORITY OF FLOYD COUNTY

By: _____
Jerry Norman,
Chairman

FLOYD HEALTHCARE MANAGEMENT, INC.

By: _____
Kurt Stuenkel,
President and CEO