

## MANAGEMENT AGREEMENT

This Management Agreement (hereinafter referred to as the "Agreement") is made as of October 1, 2010 (the "Effective Date") by and Wheeler Care Center LLC (hereinafter referred to as the "LLC"), a Limited Liability Corporation formed by the Nehalem Bay Health District, a public Oregon Special District with its principal office located at 278 Rowe Street, Wheeler, OR (herein after referred to as "NBHD" or "District") and Aidan Health Services, Inc. ("Manager"), an Oregon corporation, with its principal office located at 180 Commercial St. NE, Suite 11, Salem, OR 97301

**WHEREAS**, NBHD intends to assume the license for and operate a skilled nursing facility known as the Nehalem Valley Care Center, a.k.a. Wheeler Care Center, LLC (hereinafter referred to as the "Facility"); and

**WHEREAS**, NBHD does not wish to manage the day-to-day operations of the Facility; and

**WHEREAS**, Manager wishes to assume day-to-day management of the Facility on the terms and conditions set forth herein; and

**WHEREAS**, NBHD has established an Oregon Not-for-profit, Limited-Liability Corporation (LLC) named "Wheeler Care Center LLC" for the operation of the Facility for which the NBHD is the sole member; and

**WHEREAS**, The NBHD CEO is the "LLC Registered Agent" and NBHD Board of Directors are the "LLC Principals"; and

**WHEREAS**, a Management Agreement is needed until such time that the LLC business unit entity is operational; and

**WHEREAS**, NBHD and Manager have reached an agreement by which Manager will assume the management responsibilities for the Facility and wish to reflect their agreement in writing; now, therefore,

## WITNESSETH

As of the Effective Date, the Manager agrees to be responsible for the preparation of materials for transfer or acquisition of licenses necessary for operation of the Facility.

Further, effective January 1<sup>st</sup> 2011, Wheeler Care Center LLC engages Manager, and Manager hereby agrees to serve, as Manager of the Facility under the terms and conditions set forth in this Agreement:

- i. Duties of Manager, Revenues, Expenses. Manager shall perform the following duties in a Professional and efficient manner:

I. I Operations. Manager is responsible for all day-to-day operations of the Facility. Manager shall manage the Facility as a skilled nursing facility. In performing its management duties, Manager will use all commercially reasonable efforts to apply for and maintain a Facility license issued by governmental agencies permitting the operation of the Facility and all certifications as an eligible provider under applicable programs established under Title XVIII ("Medicare") and XIX ("Medicaid") of the Social Security Act, as amended. Manager will cooperate with the LLC in meeting the requirements imposed upon the Facility as a skilled nursing facility operator and a certified provider under the Medicare and Medicaid program. Manager will be responsible for all required federal, state, and local reports and licenses including surveys or inspection reports and will provide copies of all such reports to the LLC's Registered Agent.

1.1.1 Any independent consulting services needed to respond to survey deficiencies will be an expense of the Manager.

1.2 Administrator and Director of Nursing. Manager shall provide its management services through the Facility administrator and director of nursing who, subject to Manager's supervision, will be responsible for the day-to-day operation of the Facility and the execution of policies and procedures in accordance with this Agreement. The administrator and director of nursing are and shall be employees of the Facility.

1.3 Operating Policies & Procedures.

1.3.1 Operating Policies. Manager shall develop all operational policies and procedures that Manager deems necessary or desirable for effective, efficient, and professional operation of the Facility. Such policies and procedures will be subject to the approval of the LLC Registered Agent and LLC Principals, which will not be unreasonably withheld. Manager will thereafter manage the Facility in accordance with those procedures.

1.3.2 Charges. Manager will not change the prevailing schedule of charges for services without the advance consent of the Registered Agent or LLC Principals.

1.3.3 Business Name. Manager will operate the Facility under the existing name "Nehalem Valley Care Center" or "Wheeler Care Center LLC" as deemed appropriate.

1.4 Personnel. Manager shall, as the agent for the Facility, be responsible for (a) the screening of applicants and the hiring of such personnel as Manager may determine to be necessary or appropriate for operations; (b) the supervision of the day-to-day performance of Facility personnel through the Administrator; (c) the discipline, including termination if

appropriate, of Facility personnel; (d) the establishment and implementation of personnel policies, procedures performance standards.

1.5 Resident Trust Accounts. Manager will be responsible for accepting, maintaining and returning all resident trust funds in accordance with applicable law and in accordance with Facility agreements with residents. Resident trust accounts will be maintained in the name of the Facility in accordance with applicable regulatory requirements, and the Manager shall take any and all steps necessary to maintain and continue compliance with any and all regulatory requirements on the trust accounts, including maintaining the required bond. Manager shall be an authorized signer on applicable Facility trust accounts and shall not take any action to jeopardize or negatively affect the standing of the trust accounts.

1.6 Ancillary Services. Manager will review the need for and performance of any ancillary service contractors and, subject to the review and approval of the District, negotiate or terminate contractual arrangements for such services. Approval will not be unreasonably withheld and will be deemed approved if no objections are raised within 10 days of the Registered Agent's receipt of proposed contracts. Wheeler Care Center LLC Registered Agent and/or LLC Principals will execute Facility contracts.

1.7 Maintenance, Equipment and Improvements. Manager shall, at LLC expense, arrange for all necessary routine maintenance of the Facility, including its equipment. Manager shall advise the District of any improvements or capital repairs that Manager believes necessary to maintain licensing, certification, accreditation, and life and safety code compliance; to comply with other government regulations; to maintain or upgrade quality; or to replace obsolete or run-down equipment. Manager shall make no expenditure commitment or group of related expenditure commitments in excess of \$5,000 without the LLC Registered Agent' s, or one LLC Principal' s, prior approval. Manager shall be entitled, without District consent, to make reasonable reimbursable expenditures for the purposes of emergency repairs involving immediate jeopardy to health and safety of residents, other manifest danger to persons or property, or potential suspension or material deterioration of any necessary service at the Facility.

1.8 Supplies and Inventory. Manager will, at LLC expense, purchase any necessary supplies, including but not limited to food and medical supplies, in amounts necessary for the operation of the Facility during the term of this Agreement.

1.9 Records, Cost Reports. Manager will, at LLC expense, maintain complete and accurate records of all transactions relating to the Facility. This obligation will include, without limitation, the maintenance of records of all revenues and expenses and funds held for patients, and the preparation of all required cost reports, survey responses and other documents required by regulatory authorities. The District may, at any time, review and/or

audit the books and records of the Facility for the term of this Agreement for the purpose of verifying the information provided by Manager.

1.10 Bank Accounts and Payment of Facility Expenses. Manager will arrange for deposit of Facility receipts to the Facility Bank Account. Manager shall generate checks from the Facility Bank Account, for the benefit of the Facility and District, for all expenses incurred in the operation of the Facility, including but not limited to, payroll and employee benefits and payment of Manager's fees and expenses hereunder, all of which shall be paid by check drawn on the Facility Bank Account and signed by the LLC Registered Agent or one LLC Principal in the following order:

1.10.1 Payment of Facility operating expenses (which include, but are not limited to any and all costs, expenses or fees associated with the operation of the Facility, including payroll, payroll taxes, employee benefits, maintenance and those costs identified in Section 3.1 below);

1.10.2 Payment of Manager's fees and reimbursable expenses in accordance with the provisions of Section 3.2 of this Agreement.

1.11 Legal Claims. If Manager is notified of a legal claim against the Facility, Manager shall notify the LLC Registered Agent and shall coordinate legal matters and proceedings with designated LLC counsel. With respect to claims relating to the Facility brought against both the LLC and Manager, the LLC shall defend Manager for claims that relate to actions or inactions subsequent to the Effective Date and for any other claims for which Manager is required to indemnify the LLC, as described in Section 6.2 of this Agreement.

1.12 Accounts Receivable. Manager shall, as the Facility agent and for the benefit of the LLC, diligently pursue the collection of all accounts receivables arising from services provided at the Facility subsequent to the Effective Date. Collections from such receivables will be applied by Manager to the payment of costs and fees outlined in Section 1.10 above and the remainder, if any, to the payment of the Manager's fees.

2. Access and Inspection. NBHD shall have the right, upon reasonable advance notice, to access and inspect the Facility, and all of the books and records pertaining to its operation.

3. Facility Responsibilities.

3.1 Taxes and Insurance. Wheeler Care Center LLC shall be responsible for taxes and obtain and maintain insurance coverage equal to, or exceeding currently existing levels, including but not limited to property and casualty insurance, professional general liability insurance, and workers' compensation insurance. Manager shall be added to Facility insurance policies as an additional named insured and be provided a certificate of insurance so demonstrating. Any increases in insurance premiums shall be the

responsibility of the Facility. All such expenses shall be paid from the Facility Bank Account prior to payment or the Manager's fees.

3.2 Management Fee. In full consideration of the services to the Facility and obligations incurred by Manager on the Facility's behalf pursuant to this Agreement, and until the termination or expiration of this Agreement, Wheeler Care Center LLC shall:

- (a) Pay and/or reimburse the Manager for related fees and costs associated with the transfer or acquisition of licenses necessary for operation of the Facility
- (b) Pay and/or reimburse the Manager for a nurse consultant, engineering consultant to evaluate and advise on Facility operations, bookkeeping services, and other such third parties necessary for safe and efficient Facility operations. The Manager shall obtain LLC Registered Agent concurrence prior to entering into any contract or agreement with any paid third-party consultants.
- (c) Pay the Manager a monthly 'set-up fee' of \$6,000 from the effective date through December 31, 2010. Said fee is over and above costs in 3.2 (a) and (b).
- (d) Beginning January 1, 2011 pay the Manager 7% of all Gross Revenues of the Facility as payment-in-full for management services. "Gross Revenues" means all revenues resulting from Facility operations, before deductions for operating expenses. Said fee is over and above costs in 3.2 (a) and (b).

The LLC acknowledges and agrees that the fees to be paid to Manager under this Agreement resulted from arms-length negotiations between the LLC and Manager and constitute fair and equitable consideration for the services to be provided by Manager.

3.3 Manner of Payment.

3.3.1 Prior to January 1, 2011, the LLC shall pay the Manager from whatever source the LLC Registered Agent or LLC Principals deem appropriate.

3.3.2 Effective January 1, 2011 the LLC shall pay Manager all revenues due under this Agreement from the Facility Bank Account. If the Facility Bank Account, does not contain funds sufficient to pay the Facility operating expenses and manager's monthly payment, Manager may terminate this Agreement as provided in Section 3.4 of this Agreement and Manager shall have a claim against the LLC for unpaid fees.

3.4 Maintenance of Minimum Bank Balance. The NBHD, as sole member of the LLC, shall at all times to maintain in the Facility Bank Account a minimum balance sufficient to pay the obligations described in Section 1.10 of this Agreement. If the Facility Bank Account needs funds to cover Facility operating expenses and Manager's monthly fee, then Manager shall contact the Registered Agent. Should the NBHD fail to increase the balance of the Facility Bank Account to the minimum required for payment of all such expenses, Manager will have the right to terminate this Agreement effective immediately upon notice of such election to the LLC.

3.5 Registered Agents.

3.5.1 NBHD has, as sole member of the LLC, designated the District CEO as its Registered Agent for the purpose of receiving notices and granting approvals required hereunder.

3.5.2 Manager has designated Troy Anderson as Manager's agent for the purpose of receiving notices and granting approvals required hereunder.

Notices to these agents shall be delivered in the manner provided in Section 12. Either party may appoint a successor agent by written notice to the other party.

4. Term. Subject to the termination rights described in Section 5 below, the term of this Agreement shall commence on the Effective Date and shall continue until thirty (30) days after notice under Section 5.

5. Termination.

5.1 Termination upon Notice.

5.1.1 By NBHD. The LLC may terminate this Agreement upon 48 hours written notice in the event of any situation involving immediate jeopardy to resident health and safety that is not cured within such 48-hour period.

5.1.2 By Either Party. Manager may terminate this Agreement upon thirty (30) days written notice to the LLC for any reason. The LLC may terminate this Agreement upon thirty (30) days written notice for cause. Cause shall be defined as breach of any duty or obligation under this Agreement by Manager, or Manager's operating the Facility in a manner which endangers the health and well-being of Facility residents, or the Facility's continued good standing as a licensed care provider in the State or Oregon.

5.1.3 By Replacement Agreement. This agreement may terminate immediately when replaced by a new agreement between the Manager and the LLC.

5.1.4 By Manager. Manager may terminate this Agreement as provided in Section 3.3 if the LLC fails to maintain adequate funds in the Facility Bank Account.

5.2 Termination Upon Closure. This Agreement shall terminate without further action by any party upon transfer of all patients from the Facility and the closure of the Facility.

5.3 Effect of Termination. The termination of Manager's management responsibilities pursuant to Sections 5.1 and 5.2 shall not relieve the parties of liabilities arising prior to such termination. In particular, but without limitation, the indemnification provisions of Section 6 of this Agreement shall survive the termination of this Agreement.

6. Indemnification.

6.1 Manager's Indemnification. Manager agrees to indemnify and hold harmless the LLC and NBHD from any and all claims, demands, judgments, losses, costs, expenses and other liabilities arising out of or incident to Manager's negligence or intentional misconduct in performing its services in the management of the Facility during the term of this Agreement.

6.2 NBHD Indemnification. The LLC and NBHD agree to indemnify and hold harmless Manager from any and all claims, demands, judgments, losses, costs, expenses, and other liabilities arising out of or incident to the acts, omissions or obligations of the District.

7. Jurisdiction. This agreement shall be interpreted under the laws of the State of Oregon and any controversy, dispute or claim arising out of, in connection with, or in relation to the interpretation, performance or breach of this agreement shall be tried in the Circuit Court of the State of Oregon for the County of Tillamook, and venue shall be laid in Tillamook County, Oregon for any litigation involving this Management Agreement, or performance or breach of it.

8. Proprietary Materials. Various forms, operating procedures and controls employed at the Facility in the performance of this Agreement are proprietary in nature and shall remain the property of the LLC and shall at no time be utilized, distributed, copied or otherwise used or employed by Manager outside operations of the Facility except with the consent of the LLC or in accordance with the terms and objectives of this Agreement.

9. Disclaimer of Employment of Facility Employees. No person employed at the Facility will be an employee of Manager, and Manager shall have no liability for payment of their wages, payroll taxes and other expenses of employment. All such persons will be employees of the LLC, or, pursuant to Section 1.4 hereof, independent contractors or the employees of independent contractors. The LLC shall be responsible for and indemnify Manager for any employment-related claims as provided in Section 1.4 hereof.




10. No Joint Venture. Nothing contained in this Agreement shall be construed as creating a partnership or joint venture: between or among the parties or between a party to this agreement and any other party, or cause either party to be responsible in any way for the debts or obligations of the other party to this Agreement or any other party.
11. Assignment. This Agreement shall not be assigned by any party without the prior written consent of the other parties, except that Manager may assign this Agreement to a wholly owned subsidiary of Manager without the consent of LLC.
12. Notices. Any notices to be given under this Agreement shall be in writing. Notices shall be deemed duly given only when actually received by personal service, facsimile, email transmission or overnight mail or courier service, or 72 hours after being sent by registered or certified mail, postage prepaid, return receipt requested addressed to the receiving party at its address designated at the beginning of this document. Any party may change its address for notice by written notice to the other party. Notice may be waived in writing by the person entitled to receive such notice, either before or after the time established for the giving of such notice.
13. Entire Agreement/Binding Effect/Applicable Law/Modification. This Agreement contains the entire agreement between the parties with respect to the management of the Facility. This Agreement is made under and shall be construed in accordance with the laws of the State of Oregon. This Agreement shall not be modified except in a writing signed by the parties.
14. Captions. The captions used herein are for convenience of reference only and shall not be construed in any manner to limit or modify any of the terms hereof.
15. Attorney's Fees. If any arbitration, action, or other proceeding ("Proceeding") is brought to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to recover all costs and expenses incurred in such Proceeding, or on appeal, including reasonable attorney fees as fixed by the arbitrator or court, and including reasonable costs and attorney fees incurred in collecting any money judgment or award or otherwise enforcing each order, judgment, or decree entered in the claim for relief, action, or other proceeding. If either party becomes the subject of any bankruptcy or other insolvency proceedings, the party which becomes the subject of such proceedings shall pay all legal costs and expenses incurred by the other party in connection with such proceedings, whether such amounts are incurred in connection with issues of state law, federal law, bankruptcy law or otherwise.
16. Communication. Manager will communicate with the District at least monthly. In person or by phone to update LLC Principals regarding Facility operations.
17. Entire Agreement. This Agreement (including the documents and instruments referred to in this Agreement) constitutes the entire agreement and understanding of the parties with respect to the subject matter of this Agreement and supersedes all prior understandings and agreements, whether written or oral, among the parties with respect to such subject matter.



The parties have executed this Agreement to be effective as of the Effective Date.

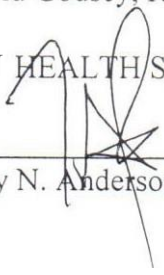
For the WHEELER CARE CENTER LLC

By:

  
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David Godsey, Registered Agent

For AIDAN HEALTH SERVICES, INC.

By:

  
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Troy N. Anderson, President