

ADMINISTRATIVE SERVICES AGREEMENT

MIDLAND COUNTY, TEXAS

This Agreement is entered into between above named Midland County, Texas (hereinafter referred to as the "Employer") and Boon-Chapman Benefit Administrators, Inc., (hereinafter referred to as the "Administrator") to be effective on October 1, 2008 herein referred to as the "Effective Date".

WHEREAS the Employer has adopted an employee health benefit plan known as the Midland County Employee Benefit Plan (hereinafter referred to as the "Plan") for certain employees and their dependents (hereinafter referred to as "Covered Persons"); and

WHEREAS the Employer has requested Administrator provide the services described herein in accordance with the terms of this Agreement;

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein, it is hereby agreed as follows:

SECTION 1 — ADMINISTRATIVE SERVICES

The Administrator shall provide the Employer with the following services as required for the administration and operation of the Plan.

A. Development, Communication, and Installation

1. Recommendations as to initial development and design of the Plan and Plan Document and future revisions thereof.
2. Cost projections of benefits and administration.
3. Assistance in preparation of employee communications material.
4. Communication and enrollment of employees and dependents through meetings provided and arranged by Employer.
5. Development and design of forms and procedures for processing requests for benefits payment.
6. The Administrator shall give written notice to the Covered Person of the identity of the Administrator and the relationship of the Administrator to the insurer, if any, or the Plan and Employer. The Employer shall approve the notice before distribution.
7. The Administrator will submit any advertising relating to the Plan to the Employer for approval prior to its use.
8. Provide customer service to plan participants and to providers making inquiry regarding claim status, plan benefits and eligibility.

B. Reports and Records

1. Preparation of such accounting reports as are needed in the financial management and administrative control of the Plan, such as:
 - a. projections of initial and renewal unit cost and total cost;

- b. listings of benefits paid;
 2. Assistance with preparation of the Summary Plan Description/Plan Document, and other items that are required for reporting and disclosure under Title I, Part I of the Employee Retirement Income Security Act of 1974; and
 3. Assistance in submitting any required license applications.
- C. The Administrator shall provide the Employer with the other special services to which the parties mutually agree.
- D. Benefit Payments
 1. The Administrator shall, in accordance with the terms of the Plan Document:
 - a. process benefits with respect to Covered Persons and determine the amount due and payable;
 - b. process any written requests, issues or comments received from Covered Persons on appeals of denied benefits and forward the information to the Employer for review and decision;
 - c. upon receipt of the Employer's decision of benefit appeals, calculate any amount due and payable and make payment, or issue a denial notice, all in accordance with written instructions of the Employer;
 - d. issue checks in payment of benefits to Covered Persons or to such other person or assignee entitled thereto;
 - e. maintain records and files of benefit payments for each Covered Person;
 - f. submit reports of benefit payments as agreed upon with the Employer at mutually agreeable times;
 - g. take all reasonable precautions to maintain as confidential all benefit payments and material furnished, obtained, or developed in regard to its service under this Agreement for a purpose unrelated to administration of the Plan. The Administrator shall disclose information only:
 - i. in response to a court order;
 - ii. for an examination required by law;
 - iii. for an audit or investigation conducted under the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001, et seq.);
 - iv. to or at the request of the insurer or Plan Sponsor; or
 - v. with the written consent of the covered person or his or her legal representative; and
 - h. maintain records of medical expenses incurred for each covered person.

2. When so directed by the Employer, the Administrator shall suspend payment of benefits until resumption is authorized by the Employer.
 3. All the files, records, and reports prepared and maintained by the Administrator pursuant to this Agreement shall be the property of the Employer, but the right of possession of such files, records, and reports shall be and remain with the Administrator during the term of this Agreement. All files, records, and reports shall be made available for inspection during normal business hours. Upon termination of this Agreement, Administrator shall deliver to Employer or its designee all such files, records, and reports. Employer will reimburse Administrator for all costs reasonably incurred in providing such files, records and reports.
 4. Administrator shall file specific and aggregate stop loss claims according to the terms of the policy.
- E. Out of Network Discounts. B-C will attempt to obtain discounts on certain non-network claims by working directly with non-network healthcare providers or through agreements with outside vendors with pre-established discounts. The fee is listed in Exhibit A and will be paid to B-C at the time of claim adjudication.
- F. Large Claim Audits. B-C will conduct or have another entity conduct a medical review audit of certain large claims for the fee specified in Exhibit A that will be paid at the time of claim adjudication.

SECTION 2 — FINANCIAL ARRANGEMENTS

- A. The Employer will establish an account for the Plan in a bank of its choice.
1. Benefits will be paid from this account.

The Employer will deposit funds to the account sufficient to cover benefits as they are adjudicated and processed by the Administrator. The Employer, by execution of this agreement, expressly authorizes the Administrator to issue drafts on the account for payment of benefits. The Administrator will not release such drafts until sufficient funds are deposited to cover them.

2. The Employer may deposit funds into the account for payments of insurance premiums, administrative expenses, and other charges related to the Plan that may be authorized by the Employer.

The Employer may authorize and instruct the Administrator to issue drafts on the account for payment of such expenses that shall have been authorized by the Employer.

- B. The Employer will remit funds for payment of insurance premiums, on behalf of the Plan, the Employer or covered persons, administrative services, and other expenses that have been authorized by the Employer and that the Administrator has agreed to disburse to the appropriate parties. The funds shall be provided to the Administrator not later than the tenth day after the first day of the month in which they are due.

The funds may be remitted directly to the Administrator or deposited into the bank account referenced in Section 2A.

- C. The Administrator will provide the Employer with a list of all Plan costs at the inception of the Plan and monthly thereafter. This will include the cost for coverage of each covered person. The list will be maintained by the Administrator and adjusted regularly, based on additions, deletions, and changes provided to the Administrator by the Employer.

SECTION 3 — INFORMATION PROVIDED BY EMPLOYER

- A. It is mutually understood that the effective performance of certain services by the Administrator under this Agreement will require that the Employer furnish to the Administrator timely reports and information in a form and manner specified by the Administrator. Such reports and information shall include:
 - 1. Initial enrollment information, including but not limited to: name of each Covered Person eligible for benefits under the Plan, identification of the types of benefits to which the Covered Person is entitled, date of eligibility, and such other information as may be necessary for processing of claim payments; and
 - 2. Additions, deletions, and changes in eligibility, including address changes, name changes, etc.
- B. If the Employer fails to furnish any required information promptly, the Administrator shall not be responsible for any delay caused by this failure.

SECTION 4 — ADMINISTRATIVE FEES

- A. The Employer shall pay the Administrator as set forth in Exhibit A, which shall not be increased for thirty-six (36) months.
- B. The Employer shall pay the Administrator, on date of assessment, any tax or charge assessed against the Administrator that may be incurred by reason of:
 - 1. a ruling, or other determination by any insurance department or other governmental authority, to the effect that any administrative fees payable under this section or the amount of the claim payments made in accordance with the Plan and Section 1, Paragraph D of this Agreement is an insurance premium and subject to the premium tax provisions of the applicable statutes, including any retroactive assessment.
 - 2. a change in any charges imposed on the Administrator by any public body, exclusive of Federal or State Income Taxes.
- C. A fair and reasonable additional fee for additional service or expense required of the Administrator because of governmental regulation or the Employer that was not known or contemplated at the time this Agreement was executed.
- D. Notwithstanding Paragraphs A and B of this section, the Administrator shall also have the right to change any administrative fee or other charge on the anniversary date of this Agreement by giving not less than sixty (60) days' prior written notice to the Employer. Any change in administrative fee shall apply to periods occurring subsequent to the change unless otherwise mutually agreeable to the parties hereto.

SECTION 5 — MISCELLANEOUS PROVISIONS

- A. The Administrator in performing its obligations under this Agreement is acting only as an independent contractor of the Employer, and the rights and responsibilities of the parties shall be determined in accordance with the law relating to independent contractors except as otherwise herein provided. For the purposes of the "Employee Retirement Income Security Act of 1974" and any applicable state legislation of similar nature, the Employer shall be deemed the Administrator and sponsor of the Plan.
- B. Nothing in this Agreement, express or implied, is intended to confer upon any other entity or person (including without limitation any claimant or other person receiving or eligible to receive Plan benefits) any rights or remedies under or by reason of this Agreement.
- C. No provision of this contract is any way intended to constitute a waiver by Midland County or its officials and employees of any immunity from suit or liability that Midland County or its officials and employees may have by operation of law.
- D. This Agreement is not intended to create, nor shall it in any way be interpreted to create a joint venture, a partnership, or any other similar relationship between the parties.
- E. The Administrator shall not be liable for or be required to use its funds for the payment of claims under the Plan. The Administrator shall not be considered the insurer or underwriter of the liability of the Employer to provide benefits for the Plan's Covered Persons, and the Employer shall have the final responsibility and liability for payment of claims in accordance with the provisions of the Plan. All review of denied benefits and final benefit decisions will be the responsibility of the Employer. The Employer shall be responsible for all expenses of the operation of the Plan, except as provided under this Agreement.

If a payment is made to or on behalf of an ineligible person or if an overpayment is made to a covered person, the Administrator shall attempt, with full cooperation and assistance of the Employer, to recover such payment through reimbursement or from future benefits that become due to such person or entity, but shall not be responsible for such payment or overpayment unless it was due to gross negligence of the Administrator.
- F. The Administrator shall use care and diligence in the exercise of its powers and the performance of its duties as Administrator hereunder, but shall not be liable for any mistake or judgment or other action taken in good faith or for any loss unless resulting from its gross negligence.
- G. The Employer shall designate legal counsel for any legal action on a claim for benefits. The defense of any legal action on a claim for benefits shall not be the obligation of the Administrator. The Administrator shall consult with the Employer or legal counsel designated by the Employer when legal or extraordinary benefit matters seem to be involved, notice of which shall be given to the Employer or its legal counsel immediately upon the happening of such events. The administrator shall cooperate with the legal counsel designated by the Employer in the event of any litigation.
- H. In the event of litigation between the parties hereto that arises out of the contractual relationship created hereunder, the prevailing party shall be entitled to recover reasonable attorneys' fees and other costs of litigation in addition to any other remedies that may be available, both legal and equitable.
- I. Any notice required by this Agreement must be in writing and given by depositing the same in the United States mail, first class postage paid, by prepaid overnight courier or by

delivering the same in person. Such notice shall be deemed received on the date on which it is hand-delivered, or if mailed, on the earlier of the date actually received or (whether or not received) on the third business day following the date on which it is so mailed. Notices shall be addressed as follows:

If to Employer: Mitzi Wohleking, CIO
Midland County Annex
2110 N. "A" Street, Suite 167
Midland, TX 79705

If to Administrator: Kevin Chapman
Boon-Chapman
12301 Research Blvd, Suite 400
Austin, Texas 78759

SECTION 6 — DURATION OF AGREEMENT

This agreement shall take effect on the Effective Date and terminate thirty-six (36) months later and shall automatically be renewed for successive twelve (12) month periods unless terminated by either party hereto giving written notice to the other party hereto sixty (60) days prior to the termination date of the then current term of this Agreement.

In the event that either no funds or insufficient funds are budgeted or appropriated for the payments due under this agreement for a period covered by such budget or appropriation, the agreement shall terminate without penalty to owner.

In the event that either party terminates this Agreement by providing written notice to the other party in accordance with the foregoing provisions of this Section 6, then upon written request from Employer at least ten (10) days prior to the termination date, Administrator agrees to process run-out claims (claims incurred prior to the termination date) for the period specified by Employer not to exceed twelve (12) months beyond the contract period in return for the following fees:

- a) First month-100% of the last contracted month's administrative fee;
- b) Second month-75% of the last contracted month's administrative fee;
- c) Third month-50% of the last contracted month's administrative fee; and
- d) Fourth-twelve months-Fifteen dollars per processed claim.

SECTION 7 — LAWS GOVERNING AGREEMENT

This Agreement shall be construed and enforced according to the laws of the state of Texas.

SECTION 8 — AGREEMENT COUNTERPARTS

This Agreement may be executed in any number of copies, each of which shall be deemed an original, and said copies shall constitute but one and the same instrument.

SECTION 9 — MODIFICATION OF AGREEMENT

- A. This Agreement and any attachments thereto constitute the entire Agreement between the parties hereto. Changes in this Agreement or in any attachment thereto may be made by

mutual agreement between the Administrator and the Employer. Any such change or amendment must be in writing and signed by the parties hereto prior to becoming effective.

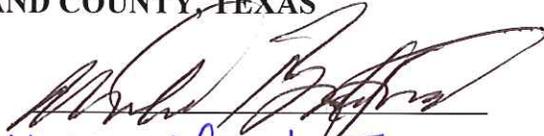
- B. In the event that this Agreement or any part hereof is found to be in conflict with the "Employee Retirement Income Security Act of 1974" or other, similar statutes, the conflicting provisions are hereby amended to conform to the minimum statutory requirements.

SECTION 10 — TERMINATION OF AGREEMENT

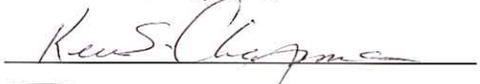
- A. If any state or other jurisdiction enacts a law that prohibits the continuance of this Agreement or the existing law is interpreted to prohibit the continuance of this Agreement, the Agreement shall terminate on the date required by such law or interpretation.
- B. In the event that the Administrator fails to perform its duties hereunder in a reasonable and competent manner, the Employer shall give written notice to the Administrator of the existence of any default in the performance of its duties, and thereafter the Administrator shall have fifteen (15) calendar days to correct such default. In the event the Administrator fails to correct such default, the Employer may terminate this Agreement at any time after said fifteen (15) day period by giving the Administrator written notice of termination, and reason therefore, not less than thirty (30) calendar days following the date said notice is received by the Administrator.
- C. In the event the Employer fails to perform its duties and responsibilities under Section 2, Financial Arrangements, or Section 4, Administrative Fees, the Employer will have fifteen (15) days from date of receipt of written notice of the default to correct such default. If the Employer does not correct such default within said fifteen (15) days, the Agreement will be deemed to have terminated on the date of receipt by Employer of the aforementioned notice of default. The Administrator will not be responsible for performing any duties of this Agreement thereafter.
- D. In the event of termination of this Agreement, the Administrator shall complete the processing of all requests for benefit payments under the Plan that have been received by it as of the date of termination and are due and payable prior to termination of this Agreement, but it shall have no obligation:
 - 1. to complete the processing of any such requests upon its determination that the Employer has failed to provide funds for benefit payments;
 - 2. to process requests for benefit payments presented to it after the date of termination of this Agreement; or
 - 3. to issue benefit checks after the termination date for requests for benefit payments relative to conditions existing on or after such date.
- E. The Employer shall be liable for all benefit checks issued by the Administrator in the performance of this Agreement. All benefit checks issued by the Administrator that are outstanding upon the termination of the Agreement or issued thereafter in accordance with the immediately preceding paragraph will continue to be the ultimate responsibility and liability of the Employer.

IN WITNESS THEREOF, the parties hereto have executed this Agreement by their respective officers duly authorized to do so.

MIDLAND COUNTY, TEXAS

By: 
Title: Midland County Judge
Date: 9/23/08

BOON-CHAPMAN BENEFIT ADMINISTRATORS, INC.

By: 
Title: President
Date: 9/27/08

**ADMINISTRATIVE SERVICES AGREEMENT
EXHIBIT A**

- A. **Set-up fee:** one time fee of \$N/A.
- B. **Benefit booklets:** Electronic booklet at no cost or \$4.25 per paper booklets.
- C. **Medical Administration Fee:** The Employer shall pay the Administrator monthly \$14.00 for medical claims administration for each employee unit participating in the Plan (by the 10th of each month). The monthly medical fee applies to enrolled employee units in the group health plan. An employee unit is defined as either an employee with single coverage or an employee with dependent coverage. This fee is offered based on claims incurred on or after the Effective Date.
- Dental Administration Fee:** The Employer shall pay the Administrator monthly \$2.50 for dental claims administration for each employee unit participating in the Plan (by the 10th of each month).
- D. **Prescription Drug Card Administration Fee:** The Employer shall pay the Administrator monthly \$.75 per prescription for claims administration.
- E. **Subrogation Services:** B-C works with a firm that specializes in subrogation recovery. The fee for this service is 30% of recoveries.
- F. **Out-of-Network Discounts:** Employer shall pay B-C a fee equal to 30% of savings.
- G. **Claim Audits:** B-C selects claims (in and out of network) to audit or send to a firm specializing in medical bill review. Employer shall pay B-C a percentage of 30% savings achieved.
- H. **Run-in Claims Processing Fee:** Upon the written request of the Employer, Administrator will adjudicate the first 1,200 claims incurred before the effective date of this Agreement for no additional fees. Should the run-in claims exceed this number B-C will charge \$15.00 per claim for claims 1, 201 and up.