

**MINUTES OF THE REGULAR BOARD MEETING  
OF THE BOARD OF DIRECTORS OF THE  
WINNIE-STOWELL HOSPITAL DISTRICT**

A regular meeting of the Board of Directors of the Winnie-Stowell Hospital District ("District") was called at 4:36 p.m. on the 19<sup>th</sup> Day of February, 2014 at the Winnie Community Hospital-Conference Room Broadway, Winnie, Texas pursuant to a Notice under the Open Meetings Act duly filed and posted a full 72 hours prior to the opening of the said meeting (a copy of said Notice being placed amongst the files of the District).

The roll was called of the members of the Board, to-wit:

Elroy Henry, President  
Jeff Rollo, Vice President  
Sharon Burgess, Director  
Edward Murrell, Director  
Raul Espinosa, Director

All said Board members were present. In addition to the above named Board Members, also present at the meeting were: Hubert Oxford, IV of the law firm Benckenstein & Oxford, LLP.; Sherrie Norris, District Administrator; Dan Yancy; Suggie Daigle; Jeff Jenkins; James Stratton; Lilton Sonnier; Derk Harmsen; Danny Thompson; Jennifer Gordon; Hal Bollick; and on conference call is Mark Andrews, Trustee and John Nolan, Newlight Healthcare.

At approximately, 4:36 p.m., a quorum was established and the regular meeting of the Board of Directors was convened. President Henry first addressed Agenda Item No. 1 and introduced the guests.

Following the introduction of guests, President Elroy Henry asked the Board for public comment pursuant to Agenda Item No. 3 and on the list was James Stratton, Lilton Sonnier, Jeff Jenkins all passed. Derk Harmsen with the Winnie Coastal Medical Foundation, Inc., speaking for the Foundation, stated the foundation was upset that they have not have not been included in

any of the discussions about the Winnie Community Hospital bankruptcy case and feels they have been purposefully excluded from the process and they have met with their counsel regarding their rights. Mr. Harmsen also stated the Foundation will have a say and if the District tries to purchase the hospital, the Foundation will go to the bankruptcy court and advise the judge that a majority of the members of the Foundation will not support the District being an owner of this hospital in any way. Lastly, Mr. Harmsen advised that the Foundation does not understand why the District would be trying to buy the hospital because the District would be liable for any of the judgments against the hospital.

Next, President Henry next asked the Board to move to Agenda Item No. 2 to review and approve Minutes for the following: January 15, 2014 Regular Meeting and January 22, 2014 Emergency Meeting. Director Murrell made a motion to accept the Minutes for the January 15<sup>th</sup> and January 22<sup>nd</sup> meetings. This motion was seconded by Director Raul Espinosa with unanimous consent of all Board members present.

At 4:49p.m., President Henry then called the Board into Executive Session for the purpose of consultation with legal counsel pursuant to Chapter 551.071 of the Texas Government Code regarding litigation, specifically the matter of *In Winnie Community Hospital, LLC; Frontier Healthcare Group, LLC*; pending in the United States Bankruptcy Court for the North District of Texas, Fort Worth Division. This Executive Session ended at 7:43 p.m. Action taken pursuant to the Executive Session was later addressed in Agenda Item No. 6.

Therefore, upon reconvening in Open Session, President Henry directed the Board members to Item No. 4 to review and approve financial reports and take action for the payment of invoices. Director Murrell made a motion to approve the financial reports and pay all

financial invoices. (*See Exhibit "A"*). This motion was seconded by Director Burgess with a unanimous consent of all Board members present.

President Henry then asked the Board to address Item No. 5 on the Chambers Health Federally Qualified Health Clinic. Attorney Oxford, stated he spoke with the lawyer for Chambers County Hospital District No. 1 and/or Chambers Health, Inc.'s, and advised him that the statute is very clear and if they or the Foundation, the Bayside Healthcare Foundation, acting on behalf of their District was going continue install an FQHC inside Winnie-Stowell Hospital District's (WSHD) boundaries, the WSHD would have to give its permission. Attorney Oxford also advised that their counsel, Kevin Reed, seemed to be more willing to look at different scenarios, like joint ventures.

President Henry then asked the Board to return to the issue of *In Re Winnie Community Hospital, LLC; Frontier Healthcare Group, LLC*; pending in the United States Bankruptcy Court for the North District of Texas, Fort Worth Division as provided for in Agenda Item No. 6 and as discussed in the Executive Session. First Vice-President Rollo made a motion to draft and submit a bid for the bankruptcy trustee with Clay Taylor's assistance. This motion was seconded by Director Espinosa with a unanimous consent of all Board members present. Second, Director Espinosa made a motion to instruct the finance committee to work with Clay Taylor on establishing a set of criteria that the District would require to enter into a business arrangement with a for profit entity. This motion was seconded by Vice-President Rollo with a unanimous consent of all Board members present.

President Henry asked the Board to move to Item No. 7 on approving a resolution in support of the Hospital 1115 waivers program. Attorney Oxford stated that, at one point Frontier, had finished the worksheet and maybe the Board should make a motion to support

frontiers application for the 1115 waiver program and agree to match it with an IGT transfer up to 135,000.00. Director Burgess asked if we could still use Frontiers application and Attorney Oxford stated that even though Frontier prepared it, it is still Winnie Community Hospital's application. Following, Director Murrell made a motion that the Board support the application for Winnie community Hospital and commit up to \$130,000.00. This motion was seconded by Director Espinosa with a unanimous consent of all Board members present.

President Henry asked the Board to move to Item No. 8 on signing letters of intent for the participation in the Nursing Home UPL program with Skilled Healthcare, LLC for two facilities owned by Skilled Healthcare, Inc. Director Murrell made a motion to approve the signature of th Letters of Intent with Skilled Healthcare, Inc. for two nursing homes located in Beaumont, Texas and the Woodlands for the UPL program. This motion was seconded by Director Espinosa with a unanimous consent of all Board members present.


President Henry asked the Board to move to Item No. 9 on reports by (a) District Administrator Sherrie asked the Board to considered allowing the taxes be taken out of her pay by CPA Mary Ellen Robertson. Vice-President Rollo made a motion to check with Mary Ellen's Office and to allow a payroll deduction if possible. This motion was seconded by Director Espinosa with a unanimous consent of all Board members present. Otherwise, there were no additional reports by (b) Gloria Roemer on the School Health Care Clinic; (c) District General Counsel; (d) District Bankruptcy Counsel; and (e) District Hospital Consultants.

President Henry then returned to Agenda Item No. 3 and asked for public comment. Several people spoke together saying since they were left in the dark they do not know what to comment on and they would like to know what the future of the hospital is as well. Attorney Oxford responded by explaining that given the timing of everything, the District only found out

that day of the final cash flow numbers for the Winnie Community Hospital and the Bankruptcy Trustee had released its bid procedures and so up this point, there was not much to report to the public as much of the activity, to date, involved legal strategy and evaluations by the District's consultants. In addition, Attorney Oxford explained that the District was an essential part of the bid process equation for two reasons: (1) the bidders could utilize the District's Administrative Claims to bolster their bids; and (2) the winning bidder, if they worked with the District would be able to maximize various governmental program benefits; and would receive contributions from the District for indigent treatment. Director Burgess then asked where do all the bids go to from the prospective bidders and when do we know who owns the Hospital. Attorney Oxford stated the bids were to be submitted to the Trustee on March 14, 2014 and then there would be an auction held on March 19, 2014 if deemed necessary by the Trustee. Then, Trustee would present the winning bid to the Judge and the Judge would hopefully approve the purchase.

Prior to public comment, President Henry set the date of the next meeting for Wednesday, March 19, 2014 at 6:30 p.m. and if necessary we can have a special called meeting before that.

Director Murrell made a motion to adjourn and the motion was seconded by Director Espinosa, with a unanimous consent of all Board members present. There being no further business to come before the Board, the meeting was adjourned at 8:45 p.m.

  
Elroy Henry, President

  
Jeff Rollo, Vice-President