

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

The meeting of the Board of Directors of the Winnie-Stowell Hospital District (“District”) was brought to order by Vice-Chair Rollo at 6:33 p.m. on the 15<sup>th</sup> day of October 2014, at the Winnie Community Hospital-Conference Room, Broadway, Winnie Texas pursuant to a Notice filed and posted a full 72 hours prior to the opening of 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, Chair  
Jeff Rollo, Vice-Chair  
Sharon Burgess, Director  
Ed Murrell, Director  
Raul Espinosa, Director

All said Board members were present with the exception of President Henry. In addition, to the above named Board members, also present at the meeting was: Sherrie Norris, District Administrator; Hubert Oxford, IV, District Attorney; Mary Ellen Robertson, District’s Accountant/CPA; Larry Barron; and Hazel Meaux.

At approximately 6:33 p.m., a quorum was established and the Regular meeting of the Board of Directors was convened. Following the introductions, Vice-Chair Rollo asked the Board to consider and take action on Agenda Item 2, review and approve minutes of the September 17, 2014 Regular Meeting and September 30, 2014 Special Meeting. Director Ed Murrell made a motion to accept the Minutes for the September 17, 2014 Regular Meeting minutes and the September 30, 2014 Special Meeting minutes. This motion was seconded by Director Raul Espinosa with unanimous consent of all Board members present.

Next, Vice-Chair Rollo asked for public comment. First to speak was Larry Barron, who inquired as to the status of the dispute with the Chambers County Public Hospital District No. 1

("CCPHD 1). Mr. Barron was advised that this matter was scheduled to be discussed in Agenda 12 but the Board would move this Agenda Item to the beginning given the interest in the matter. Next Hazel Meaux expressed her concerns to the Board that the District was not doing an adequate job of publicizing its meetings and recommended that the Board post notice of the meeting in the Hometown Press. Attorney Oxford advised Mrs. Meaux that the District post its meetings pursuant to the Texas Government Code Section 551. In addition, the District e-mails copies of the Agendas to interested citizens as well as both the Hometown Press as well as the Neighborhood Net. Mrs. Meaux did not like this answer and then demanded that Attorney Oxford be fired. See **Exhibit "A"**.

The Board then addressed Agenda Item 12, to discuss and take action, if necessary, on status of the Federally Qualified Health Clinic by Chambers County Public Hospital District No. 1 inside of the District's Boundaries. Vice-Chair Rollo asked Director Murrell to give a status report. According to Director Murrell, he, along with Tahir Javed, CEO of the Winnie Community Hospital, and Congressman Nick Lampson met with the CCPHD 1 to review each entity's appraisals of the property purchased by the CCPHD 1 on Highway 124. Per Director Murrell, the appraisal by CCPHD 1 came back at \$570,000.00, which was far in excess of the District's appraisal of \$300,000.00. Director Murrell reported that CCPHD 1 recognized that their appraisal was probably too high and given the fact that it was not based on any property located in Chambers County, Texas. Director Murrell advised that the he was going to meet again the representatives from the CCPHD 1 in the early part of the next week in hopes of finalizing a deal. No action was taken.

Next, Vice-Chair Rollo asked that the Board return to Agenda Item 4, to consider and take action on financial reports and consider and take action on the payment of invoices and

payment of bonds. Mary Ellen Robertson then presented the Board with the District's financial reports and the Board reviewed the outstanding invoices. Both the Financial reports and the outstanding invoices are set forth in **Exhibit "B"**. Director Murrell made a motion to accept and pay all invoices and bills in **Exhibit "B"**. This motion was seconded by Director Espinoza with a unanimous consent of all Board members present.

Afterwards, the Board was asked to turn their attention to Agenda Item 5, consider and take action on, if necessary, on finalizing and approving line of credit from Prosperity Bank. Mary Ellen Robertson was asked to explain to the Board why the District would need a line of credit. Per Mary Ellen, the District may need this line of credit of up to \$200,000.00 to supplement its tax revenue while the District's revenue is being used for Nursing Home UPL Intergovernmental Transfers ("IGT") and the District needs this line of credit in order to help establish credit for the District. Following a discussion of the matter, Director Murrell made a motion to apply for a line of credit at Prosperity Bank. This motion was seconded by Director Espinoza with a unanimous consent of all Board members present.

The Board then considered Agenda Items 6 and 8, to discuss and take action on, if necessary, on approving the payment method for the Intergovernmental Transfers for the Nursing Home UPL program and approve General Counsel to engage Hursch Blackwell to research and draft an opinion on funding IGTS for the Nursing Home UPL Program. Vice-Chair Rollo asked Attorney Oxford to address this Agenda Item. Attorney Oxford then explained to the Board some issues and concerns he had with the funding of the IGT for the Nursing Home UPL program as had been discussed in prior meetings. Specifically, Attorney Oxford gave the Board his preliminary opinion concurring with the issues raised by Tommy Davis, the District's auditor for the 2012 and 2013 District Audit, in his letter to the District dated October 2, 2014 as



to whether it was appropriate to fund the IGTs using the “state’s share” of the UPL funds and whether the source of any funding for an IGT should come from the owner of the Winnie Community Hospital in light of some recent CMS decisions. (See Exhibit “C” for a copy of the Davis Letter). In addition, Attorney Oxford advised that he was looking into whether the Constitution and/or Laws of the State of Texas allowed the District to enter into short term (i.e., less than 12 months) loans collateralized by nursing home revenues. No action was taken on Agenda Item 6

Moreover, in regard to Agenda Item 8, Attorney Oxford advised that after reviewing some opinions and court cases and his concerns over make sure that the District participated in the program pursuant to the laws and regulations of CMS, he requested authority to retain Mark Chouteau with Hursch Blackwell to issue an opinion on the issues raised by Tommy Davis in his October 2, 2014 letter and to advice the District the best method to properly fund IGTs for the Nursing Home UPL Program. In addition, Attorney Oxford requested that the firm be given authority to review the Management Agreements with the various nursing facilities and to give a brief confirmation letter, if possible, on Attorney Oxford’s opinion that the District is within the constitution and laws of the State of Texas if it enters into short term loan agreements based on revenue to fund any operational shortages of the nursing facilities during the period of time between when IGTs are made and the Nursing Home UPL program funds are returned to the District. A motion was made by Director Espinoza to allow Attorney Oxford to retain Mark Chouteau as requested by Attorney Oxford to: 1) issue an opinion on funding IGTs for the Nursing Home UPL program; 2) review the Management Agreements; and 3) review documents and research presented by Attorney Oxford on the viability of using short term revenue loans to fund nursing home operations during times of need caused by IGTs for the Nursing Home UPL

program. This motion was seconded by Director Burgess with the unanimous consent of all Board members present.

Also, concerning the Nursing Home UPL program, Vice-Chair Rollo then asked Mary Ellen Robertson, to present Agenda Item 7 to the Board, to consider and take action, if necessary, on approving accounting procedures and banking rules for thirteen nursing home depository accounts. According to Mrs. Robertson, she, along with Darin Janssen of the LTC Group, have been working on accounting procedures to establish control over the District's revenue generated by the individual nursing homes and to minimize bank fees for the District as a result of the routine transfers to the Management Companies that assist the District with the operations of the thirteen facilities. Mary Ellen presented the Board with a number of options to ACH revenues from the District's accounts to the Manager's accounts for payment of expenses. In addition, Mrs. Robertson advised the Board that she needed authority to wire transfer funds in three depository accounts to Skilled Nursing Home. Thereafter, Director Espinoza made a motion to authorize Mary Ellen Robertson to negotiate a transaction agreement on behalf of the District with the Managers of these facilities that: 1) establishes further control over the revenues; 2) better accounting measures; 3) reduced the ACH fees for withdraws; and 4) open a central checking account, if necessary for the ACH of funds to the Managers. This motion was seconded by Director Burgess with a unanimous consent of all Board members present. In addition, Director Espinoza made a second motion to transfer money from the Hallettsville, Monument Hill, and Oak Manor depository accounts to the Manager for each of the facilities as well as future transfers until the ACH program was operational. This motion was seconded by Director Burgess with a unanimous consent of all Board members present.

Continuing with the Nursing Home UPL Program, Vice-Chair Rollo asked Attorney Oxford to address Agenda Item 9, to discuss, consider and take action, if necessary, on approving General Counsel to negotiate with Arboretum of Winnie nursing home to acquire this facility. According to Attorney Oxford, he was contacted by the owner of the Arboretum Nursing Home who requested that the District consider acquiring the Arboretum and then initiate steps to participate in Texas Nursing Home UPL program. Attorney Oxford reported that the Arboretum was currently owned by Victoria County but due to some changes in the program due to the implementation of managed care by the State of Texas and the provisions of the Texas Local Government Code allowing counties to only own facilities in adjacent counties, Victoria cancelled their Management Agreements and other agreements with the Arboretum facility which left the Arboretum without a way to participate in the program as a non-state government-owned nursing facility. After some discussion the Board agreed to assist the Arboretum and a motion was made by Director Murrell to negotiate with Arboretum on the terms of a Management Agreement. This motion was seconded by Director Espinoza with the unanimous consent of all Board members present.

Finally, in regard to the Nursing Home UPL Program, Vice-Chair Rollo asked the Board to consider and take action, if necessary, on Agenda Item 10, the establishment an IGT Account to be named "Winnie Stowell Hospital IGT Account" at Prosperity Bank in Winnie, Texas. According to Mrs. Robertson, this account is needed in order to gather IGT funds to be sent to the State of Texas and then be the account in which Nursing Home UPL funds are returned. Director Espinoza made a motion to authorize the opening of a "Winnie Stowell Hospital IGT Account". This motion was seconded by Director Burgess with a unanimous consent of all Board members present.

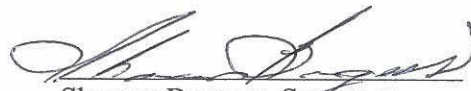


Vice-Chair Rollo then addressed Agenda Item 11, to discuss and take action, if necessary, on the November 4, 2014 election for two board members. Per Sherrie Norris, there is no action to be taken on this Agenda Item as it has remained on the agenda during the course of the election in case the Board needed to take action.

Lastly, the Board was asked to consider Agenda Item 13, reports by the District Administrator; Gloria Roemer on the School Health Care Clinic; District General Counsel; District Accountant/CPA; and District Hospital Consultants. There being no reports, the Board was asked to consider a date for the next meeting. It was agreed that the next meeting would be on November 19, 2014 at 6:30 p.m.

There being no further business, a motion was made by Director Murrell and was seconded by Director Espinoza, with the unanimous consent of all Board members present to adjourn at 9:03 p.m.

  
Jeff Rollo, Vice-Chair

  
Sharron Burgess, Secretary