

**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 noticed and filed pursuant to the Texas Open Meetings Act a full 72 hours prior to the opening of said meeting for 6:30 p.m. on the 19th day of November 2014, at the Winnie Community Hospital-Conference Room, Broadway, Winnie Texas (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. 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; Hazel Meaux; and Gloria Roemer.

At approximately 6:42 p.m., a quorum was established and the Regular meeting of the Board of Directors was convened. Following the introductions, Chair Henry 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 the agreement between the CCPHD 1 and the District to purchase the acquisition by January 31, 2015 had been signed by all parties and the Board was now considering its financing options. Next Gloria Roemer was given a considerable amount of time in excess of her three minutes to lodge complaints about a number of issues, including: 1) the District alleged failure to comply with Section 141.040 of the Texas Election Code by failing to post notice of the filing periods; 2)

the District's alleged failure to comply with its own by laws by not hiring an "executive director"; 3) the Districts alleged failure to get Attorney General and voter approval on any loans; 4) the District's alleged failure to get Commissioner Court's approval on financing for any loans as set forth in 281.107 of the Texas Health & Safety Code; and 5) the need by the District to provide service to a larger scope of the "indigent" within the District.

Following Public Comment, Chairman Henry then asked the Board to consider and take action on Agenda Item 2, review and approve minutes of the October 15, 2014 Regular Meeting and October 28, 2014 Special Meeting. Director Rollo made a motion to accept the Minutes for the October 15, 2014 Regular Meeting minutes and the October 28, 2014 Special Meeting minutes. This motion was seconded by Director Raul Espinosa with unanimous consent of all Board members present.

The Board then skipped to Agenda Item 9, to discuss, consider and take action on, if necessary, on electing officers for the upcoming year, 2015. Director Burgess requested that she not be asked to serve as Secretary but otherwise the following names were put up for nomination for Chairman, Vice-Chairman, and Secretary:

Elroy Henry: Chairman
Jeff Rollo: Vice-Chairman
Edward Murrell: Secretary

After the nominations were made, motions for the approval of the nominations were made as follows:

- **Chairman:** Director Rollo made a motion to approve the nomination of Elroy Henry as Chairman of the District. This motion was seconded by Director Burgess with the unanimous approval of all Board Members.

- **Vice-Chairman:** Director Espinoza made a motion to approve the nomination of Jeff Rollo as Vice-Chairman of the District. This motion was seconded by Director Murrell with the unanimous approval of all Board Members.
- **Secretary:** Director Burgess made a motion to approve the nomination of Edward Murrell as Secretary of the District. This motion was seconded by Director Rollo with the unanimous approval of all Board Members.

Next, Chairman Henry 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. Attorney Oxford advised that the invoices included a bill for Hursch Blackwell but he had not had time to prepare Benckenstein & Oxford's invoice yet and asked that it be placed on the agenda for a special meeting that was going to be needed before the end of the month. Both the Financial reports and the outstanding invoices are set forth in **Exhibit "A"**. Director Murrell made a motion to accept and pay all invoices and bills in **Exhibit "A"**. This motion was seconded by Director Espinoza with a unanimous consent of all Board members present.

After a the approval of invoices and a review of the District's financials, the Board was then asked to discuss Agenda Item 5, consider and take action on, if necessary, on finalizing and approving line of credit from Prosperity Bank. Attorney Oxford asked for permission to address this issue and advised the Board that the need for this line of credit had gone away as it was being considered to supplement other revenue to make Intergovernmental Transfers ("IGTs") for the Nursing Home UPL. In addition, he explained that since the District was going to purchase the facility owned by the Chambers County Public Hospital District No. 1 ("CCPHD 1), and the

purchase will most likely be funded by way of a loan, would serve the purpose of helping the District establish credit. Therefore, no action was taken on this agenda item and it will be removed from future agendas.

Chairman Henry then referred the Board to Agenda Item 6, to discuss, consider and take action on, if necessary, on approving the payment method for the Intergovernmental Transfers for the Nursing Home UPL program. Again, Attorney Oxford requested that no action needed to be taken on this agenda in regard to the payment method for the IGTS because there were still outstanding issues with procedures and documents for the upcoming IGT for the Nursing Home UPL program to be worked out and requested a special meeting before November 30, 2014 to review and approve the opinions by Hursch Blackwell and procedures and the documents for the upcoming IGT. However, Attorney Oxford advised that the Board that it needed to open a Texnet Account with Interbank in Graham, Texas in order to serve as the District's IGT and Upper Payment Limit account for the Nursing Home UPL Program. Moreover, Attorney Oxford advised that the Lender requested that Lee Hughes, with the LTC Group be signature on this account. Attorney Oxford advised that since Lee Hughes was an employee of an agent of the District pursuant to the Service Agreements between the LTC Group and the District for each of the thirteen nursing homes, it would be appropriate for him to signature authority on this account but this signature authority needed to be in conjunction with a dual signature by a Board member. Attorney Oxford, reported these two requests were the result of negotiations with the Lenders that will be discussed at the upcoming special meeting to secure their funds. Therefore, a motion was made by Director Rollo to open a depository account at Interbank in Graham, Texas to be used to send IGT funds to the State of Texas for the District's participation in the Nursing Home UPL program and to receive UPL funds once they are returned from the Federal

Government by way of the State of Texas but the account be required to have two signatures by the appropriate persons for any movement of funds. This motion was seconded by Director Espinoza with the approval of all Board members. Afterwards, a second motion was made by Chairman Henry to allow Lee Hughes, with the LTC Group to be listed as a signature on this account. This motion was seconded by Director Espinoza with the unanimous approval of all Board members. See Exhibit

Chairman Henry turned to Mary Ellen Robertson, the District's CPA, and asked that she address Agenda Item 7, to discuss, consider and take action on, if necessary, on approving accounting procedures and banking rules for nursing home depository accounts. According to Mrs. Robertson, she, and Darren Janssen, with LTC Group, have worked tirelessly with the Nursing Home Managers to facilitate their demands on cash flow from the District's depository accounts to their operations accounts. The goals were to create a process that was more efficient and less costly but still kept all the control over the accounts with the District. However, because of cost associated with her services and Mr. Janssen's experience with other nursing facilities and district's processes, it was her recommendation that like Lee Hughes discussed in Agenda Item 7, Mr. Janssen also works for the LTC Group, an agent of the District by way of Service Agreements entered into with District that call for the LTC Group to provide these services, he was best suited to implement procedures ACH funds from the depository accounts to the nursing home operations accounts. Therefore, Ms. Robertson recommended that in addition to setting up ACH procedures, Mr. Janssen to be added as a signature to each of these depository accounts. Director Espinoza made a motion to accept assign LTC Group to establish ACH procedures for the District's depository accounts and to allow Darren Janssen, as the CPA for the LTC Group,

to be added as signature on each of the accounts. This motion was seconded by Director Murrell with a unanimous consent of all Board members present.

After the approval of Agenda Item 8, Chairman Henry asked Attorney Oxford to address Agenda Item No. 8, discuss, consider and take action on, if necessary, on approving General Counsel to negotiate with Arboretum of Winnie Nursing home to acquire this facility. Attorney Oxford advised the Board that he had been contacted by the general counsel of the Arboretum who reported that Victoria County was going continue their relationship with the Arboretum for the Nursing Home Upper Payment Limit (“UPL”) Program through the end of the “old program” that is going to end with an IGT for the first two months of the 2015. However, the Arboretum is going to ask the District in January 2015 to acquire this facility in order for the District to participate in the Nursing Home UPL program for the Arboretum starting with the 2nd Eligibility Period under new Managed Care program. As such, in January 2015, the District will need to undergo the Change of Ownership process (“CHOW”) for the Arboretum and will need to consider whether to participate in the nursing home UPL Program 2nd Eligibility Period for the facility by February 28, 2014. Otherwise, no action was taken on this Agenda Item at this meeting.

Since Agenda Item 9 had previously been addressed at the beginning of the meeting, the Board was asked to address Agenda Item No. 10, to discuss, consider and take action on, if necessary, on status of the Federally Qualified Health Clinic by Chambers County Public Hospital District No. 1 inside of the District’s Boundaries. Attorney Oxford announced that the Purchase Agreement for the CCPHD 1 property and facility inside the District had been negotiated and agreed to by both sides and asked for a motion to approve the Purchase Agreement and Sal. See **Exhibit “C”**. After a review of the Agreement, Director Epsinoza

made a motion to allow Chairman Henry to sign the Purchase and Sale Agreement set forth in **Exhibit “C”** and move forward with working with Prosperity Bank to arrange financing for the property to be closed by January 31, 2015. This motion was seconded by Director Rollo with a unanimous consent of all Board members.

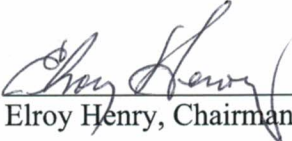
Returning back to the Nursing Home UPL program, Chairman Henry asked the Board to discuss, consider and take action, if necessary, Agenda Item 11, approval of hiring VMG Health to do fair market value of Managers compensation for each of our thirteen nursing homes. According to Attorney he, along with counsel for Hursch Blackwell believe it is necessary to do a fair market value appraisal of the services provided by Caring Healthcare and Skilled pursuant to the Management Agreements for the thirteen nursing homes to make sure that the services rendered were within the scope of like services for other facility managers. Otherwise, he has reviewed the proposed agreement by VMG Health and received confirmation from the two sets of Managers for the Districts nursing homes that they will pay half the cost of the fair market value appraisals of their services. See **Exhibit “D”**. Director Rollo then made a motion to allow Chairman Henry to sign the VMG Health Agreement as set forth in **Exhibit “D”** and move forward with obtaining fair market value assessments for the management services provided by Caring Healthcare and Skilled Nursing homes pursuant to the Management Agreements entered into with District for each of the thirteen nursing homes. This motion was seconded by Director Espinoza with a unanimous consent of all Board members.

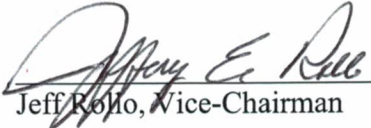
The Board was then asked to address Agenda Item No 12, to discuss, consider and take action if necessary, the establishment of a website for the Hospital District. After a discussion of possible local vendors who can provide website services, Mrs. Norris was asked to contact

several of the vendors to get prices and to bring her findings back to the Board once she has received the various quotes for services. Otherwise, no action was taken on this agenda item.

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. The only report presented to the Board was a mention to the Board by Attorney Oxford that at the next meeting, the Winnie Community Hospital would be presenting capital projects to the Board for possible funding. Otherwise, it was agreed that the next meeting would be on November 25, 2014 at 6:00 p.m. and the next regularly scheduled Board meeting would be for December 17, 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 to adjourn at 9:00 p.m.


Elroy Henry, Chairman


Jeff Romo, Vice-Chairman