

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

A Special 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 6:00 p.m. on the 25th 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; Hazel Meaux; Tahir Javed, CEO of Winnie Community Hospital; Chris Partner, General Counsel for Winnie Community Hospital; and Mo Danishmund, Chief Financial Officer of Winnie Community Hospital.

At approximately 6:08 p.m., a quorum was established and the Regular meeting of the Board of Directors was convened. Following the introductions, Chairman Henry moved to Agenda Item 6, to discuss, consider and take action on request by the Winnie Community Hospital to make an Intergovernmental Transfer (“IGT”) for the DY3 Advance UC Payment before Public Comment to enable Tahir Javed to make a presentation on this Agenda Item in order for there to be public comment after the presentation.

Mr. Javed advised the Board there was an upcoming IGT for the DY3 Uncompensated Care program coming up on December 1, 2014 and requested the Board approve the IGT for the

Hospital that could net much needed Uncompensated Care funds to the Hospital. In so doing, Mr. Javed and Mr. Danishmund requested this IGT and future funding by the District to assist in 1) cost incurred for losses resulting from non-payment of services by the indigent or needy; and 2) services and capital projects they have identified as being essential to the future of the Winnie Community Hospital so that the Hospital would be better able to serve the indigent and needy.

According to Mr. Danishmund, since Mr. Javed acquired this facility in April of 2014, they have incurred \$840,000.00 in losses from the non-payment of services and when the facility was purchased from the Bankruptcy Court, the new owner acquired over \$4,000,000.00 in bad debt resulting from services to indigent or needy. Moreover, Mr. Javed has spent in excess of \$3,000,000.00 for hospital upkeep, software required for compliance with Medicare and private insurance demands; needed equipment; consultants; legal advice; and a revamped leadership team for the facility.

Going forward, the two advised that the Hospital has created a list of services; capital improvement projects; and equipment it would like to provide and asked for District's support. The services discussed are designed to increase revenue for the hospital but most importantly fill a huge void in services currently being provided. These are as follows:

- Extending the clinic hours;
- Partial Hospitalization Programs for the mentally ill that has already been started at a cost of \$200,000.00 but still needs an additional \$300,000.00 in funding for start-up;
- A cardiologist has been secured for the facility on a part time basis and is scheduled to start on December 3, 2014. The cost for the cardiologist is \$240,000.00 per year;
- Presently, neither of the operating rooms at the hospital are operational and the Hospital would like to re-open these rooms but the cost is going to be \$1,400,000.00.

Per Mr. Tahir, operating rooms are essential to the success of a hospital and two rooms are needed in order to have one for scheduled surgeries and a back-up for unexpected surgeries from the Emergency Room;

- The current CT Scan Equipment is out of date and on the verge of malfunction and disrepair. According to Mr. Javed a new CT machine is going to cost \$750,000.00 but once it is purchased, it will be able to allow the hospital another invaluable services similar to the operating rooms;
- The Winnie Community hospital has also worked out a patient transfer agreement with Christus St. Elizabeth's that will allow patients of the hospital to be transferred to St. Elizabeth's on an expedited basis;
- Moreover, the Hospital is now one of eleven facilities in the United States that has the capabilities to provide Reverse Isolations Rooms for Ebola patients.
- Lastly, Mr. Javed advised that he has already renovated two hospital rooms at a cost of \$25,000.00 per room but there are still a number of rooms that need to be renovated and brought up to speed with modern medical services. The total cost for the remaining room preservations is \$625,000.00.

In total, the Hospital proposed \$8,700,000.00 new or improved services; equipment; and capital improvements. Following the presentation Mr. Javed was asked to prioritize his request and he advised the Board that the request he felt would provide the best return to the District in order for the Hospital to provide better assistance to the indigent and needy were 1) functional operating rooms for approximately \$1,400,000.00; 2) a CT Scan machine for \$750,000.00; 3) the renovations of the hospital rooms that is expected to cost \$325,000.00; and 4) \$300,000.00 for the Partial Hospitalization Programs. Mr. Javed was then asked to prepare a detailed assessment

of these projects and to be prepared to make a presentation at the next regularly scheduled meeting. The Board did not take action on this agenda item because the Board first wanted the public to have an opportunity to speak on the agenda item.

Following Mr. Tahir's presentation, Chairman Henry called for public comment as set forth in Agenda Item 2. The only person that gave public comment was Larry Barron, who commended the Board and the new owners of the Hospital for all the work and effort done up to this point.

There being no further public comment, Chairman Henry returned to Agenda Item 6 and asked the Board for a motion to approve an IGT for up to \$115,000.00 that could yield a return of up to \$300,000.00 in Uncompensated Care funds. A motion was then made by Director Murrell to fund the IGT for up to \$115,000.00 on December 1, 2014 for the Winnie Community Hospital so that the Hospital can receive fund for the Uncompensated Care Program. This motion was seconded by Director Espinoza with the consent of all Board members.

Afterwards, Chairman Henry asked the Board to turn to Agenda Item 3, review and approve financial reports and consider and take action of the payment of invoices. According to Mrs. Norris, the only invoice outstanding was an invoice submitted by Benckenstein & Oxford, LLP. attached hereto as **Exhibit "A"** for work performed during the month of October 2014. After are review of the invoice, Director Murrell made a motion to approve the invoice reflected in **Exhibit "A"** by Benckenstein & Oxford, LLP for the month of October 2014. This motion was seconded by Director Espinoza with the consent of all Board members.

Next, President Henry advised that he has asked that Agenda Item 4 be removed from the Agenda, to discuss, consider and take action on, if necessary, on finalizing and approving line of

credit from Prosperity Bank. As discussed at the November 19, 2014 Regular meeting, this line of credit was no longer needed. No action was taken on this agenda item.

Chairman Henry then turned to Agenda Item 5, discuss, consider and take action on, in necessary, on amending the 2014 Budget. Mary Ellen Robertson then recommended that given the District was approaching the end of the year, it would be best if this agenda item was considered as part of a Finance Committee that needed to meet and discuss the 2015 Budget. President Henry then asked the Finance Committee to convene a meeting on December 10, 2014 and to post notice of this meeting so that the public could attend. Otherwise, no action was taken on this agenda item.

Since Agenda Item 6 had previously been considered and acted upon, Chairman Henry referred the Board to Agenda Item 7, to discuss, consider and take action on, if necessary, on approving the payment method to make an IGT for Year 1, Third Quarter of the Nursing Home UPL Program. However, prior to any discussion on this matter, President Henry, on the advice of counsel, asked that the Board go into Executive Session for the purpose of consultation with legal counsel pursuant to Chapter 551.071 of the Texas Government Code.

According to Attorney Oxford, the District has received legal opinions from Hursch Blackwell on the nursing home UPL that were covered by the Attorney Client Privilege and needed to be discussed in this Executive Session to protect the privilege. In addition, the Board needed to consider a number of contracts with the Lender for the upcoming operations loan for the thirteen nursing homes that include the ability to fund the IGT for the third quarter 2014, not the fourth quarter, Nursing Home UPL program scheduled to be made on December 1, 2014. The Board then went into Executive Session at 7:15 p.m.

Upon return from Executive Session at 8:55 p.m., Director Raul Espinoza made a motion to approve the terms of the loan with the lenders for loan to assist with operations of the thirteen nursing homes acquired by the District, including funding an IGT Payment for the third quarter of the Nursing Home UPL as well as the signature by the Board's Chairman of the following three documents attached hereto as **Exhibits "B", "C", and "D"**:

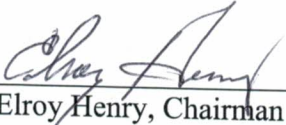
- Security Agreement;
- Block Agreement; and
- Short Term Commercial Revenue note.

This motion was seconded by Director Rollo with the consent of all Board members.

Lastly, the Board was asked to consider the approval of Agenda Item 8, to discuss, consider and take action on, if necessary, on approving the IGT Responsibility Agreement with Texas Health and Humans Services Commission for Eligibility Period No. 1. According to Attorney Oxford, if the District was going to continue in the Nursing Home UPL after the program changes pursuant to the managed care model, it needed to sign this agreement and submit it before the December 1, 2014 deadline. *See Exhibit "E"*. Attorney Oxford once again explained this agreement changes the IGT and UPL Process for the nursing home UPL program so that the District will be funding IGTs in advance of UPL calculations as opposed to retrospectively. As such, this agreement calls for a commitment by the District to participate in the program for Eligibility Period No. 1 and requires two IGT payments in the amount of \$5,000,000.00 each by August 19th, 2015 before the funds are to be distributed back in the form of UPL payments on a monthly basis through January 2016. Following a discussion on the December 1, 2014 deadline and the upcoming deadline of February 28, 2015 for Eligibility Period No. 2 and the concerns with the deadlines for Eligibility Period No. 2, Director Espinoza

made motion to approve the signature of the IGT Responsibility Agreement with Texas Health and Humans Services Commission for Eligibility Period No. 1 by Chairman Henry. *See Exhibit "E"*. This motion was seconded by Director Burgess with the consent of all Board members.

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 8:58 p.m.



Elroy Henry, Chairman



Jeff Rollo, Vice-Chairman