

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

The Special Meeting of the Board of Directors of the Winnie-Stowell Hospital District (“District”) was brought to order by Chairman Henry called at 9:00 a.m. on the 6th day of August, 2015 at the Winnie Community Hospital-Conference Room inside the hospital, Broadway, Winnie, Texas pursuant to a Notice 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, Chairman
Jeff Rollo, Vice Chairman
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: Sherrie Norris, District Administrator; Mary Ellen Robertson, CPA; Attorney Hubert Oxford; Larry Barron; and Lisa Ponce with the Hometown Press.

At approximately, 9:03 a.m., a quorum was established and the special meeting of the Board of Directors was convened. Chairman Henry asked the Board to move to Agenda Item No. 2, introduction of guests. Since there was no public comment, Chairman Henry asked the Board to move to Agenda Item No. 3, to discuss and take action, if necessary, on approving financials reports and payment of invoices. Likewise, there being no invoices to be paid, a motion was made by Director Murrell and seconded by Director Rollo that this agenda item be tabled. The motion and second were unanimously approved by all Board members.

Turning to Agenda Item No. 4, to discuss and take action on the potential sale or lease of the District’s modular building and/or real property and improvements located on Highway 124, Director Espinoza advised that he had nothing to report. Therefore, he recommended that this

action item be tabled as well. With this, Director Espinoza made a motion to table Agenda Item No. 4. This motion was seconded by Director Rollo with the unanimous consent of all Board members.

Chairman Henry then called on Director Murrell to discuss Agenda Item No. 5, to discuss and take action, if necessary, the District's participation in the Texas Association of Public Nursing Homes (TAPNH), to assist the District with in maximizing reimbursement; reduce certain cash flow and economic risks; and resolve certain inequities related to the Texas Nursing Facility Minimum Payment Amount Program. According to Director Murrell, he met with Brandon Durbin, who was hired by TAPNH to institute the creation of the organization and after meeting with Mr. Durbin, he felt the District's participation in the group was worthwhile and would yield financial as well as other intangible benefits for the District. Financially, TAPNH would help ensure that the District received the maximum IGT Refund money and would also reconcile MPAP funds with the Managed Care Organizations to assure the maximum MPAP funds were paid. Moreover, he felt that participation in a statewide organization would assist in prolonging the program and influencing the program by giving the governmental entities participating in the MPAP program a voice. Otherwise, no action was taken on this agenda item.

Afterwards, Chairman Henry called on Attorney Oxford to address Agenda Item No. 6, to discuss and take action, if necessary, on obtaining the status District's nursing facilities that are financed by the prior-owners/managers with lenders and guaranteed by the Department of Housing and Urban Development. Attorney Oxford reported to the Board that he has spent a vast amount of time since July 23, 2015 responding to documents submitted by Genesis, the manager of six of the District's nursing homes, pertaining to obtaining security over the District's depository accounts by lending institutions with loans secured for the Clairmont and Woodlands facilities by the Department of Housing and Urban Development ("HUD").

Attorney Oxford explained that, at the time, the District acquired these facilities, the District and Genesis did so with the tentative permission of HUD but that was for one year and the year expired on July 31st, 2015. Because of this, Genesis was under pressure to present documents and a plan to HUD and its Lender in order to satisfy their security requirements.

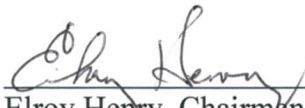
Attorney Oxford then went through a detailed presentation to the Board explaining the entire process used by the District to distribute nursing home revenue and UPL and MPAP funds. Afterwards, he presented some scenarios of potential changes resulting from the HUD Lender's demands to both the flow of nursing home revenues and MPAP funds. In addition, Attorney Oxford advised that he has learned that Genesis was attempting to secure financing for their remaining four facilities and some concerns he had with their financing options. Lastly, Attorney Oxford also explained that he demanded payment of attorney's fees for these services as they were not expected and was waiting on a response from Genesis. No action was taken on this agenda item.

The Board was then asked to consider Agenda Item No. 7, to discuss and take action, if necessary, to approve a short term revenue loan (i.e., promissory note and security agreement) for nursing home operations. Again, Attorney Oxford was asked to review the documents with the Board. According to Attorney Oxford, the documents are for a short term loan (270 Days) secured by nursing home revenue, excluding federal and state funds of any time, in order fund nursing home operations, including payment of an Intergovernmental Transfers for the 1st quarter of Eligibility Period 2 of the MPAP. Oxford reminded the Board this was the sixth loan of which all have been paid back except the last two loans. The documents are attached as **Exhibits "A", "B", and "C"**. After Attorney Oxford's explanation of loan documents, a motion was made by Director Murrell to give Chairman Henry authority to sign the documents set forth in

Exhibits “A”, “B”, and “C”. This motion was seconded by Director Espinoza with the unanimous consent of all Board members present.

Lastly, the Board was asked to discuss and take action on amending its Transfer Procedures for the District’s nursing homes. Attorney Oxford explained that this needed to be done to account for some changes resulting from the MPAP program and to ensure the District’s IGT funds were returned first before any other MPAP funds were expended. (*See Exhibit “D”*) Director Rollo made a motion to accept the changes in the District Transfer procedures as outlined in **Exhibit “D”**. This motion as seconded by Director Murrell with the unanimous consent of all Board Members present.

Following the last action item, with no further business before the Board at 11:27 a.m. Chairman Henry asked the Board for a motion to adjourn. The motion to adjourn was made by Director Espinosa and seconded by Vice-Chairman Rollo with the unanimous consent of all Board members present.



Elroy Henry, Chairman



Jeff Rollo, Vice-Chairman