

Exhibit “A”

**Winnie-Stowell Hospital District's (the "District") Position Statement on Cooperation with/
Funding to Potential Bidders in Bankruptcy Auction**

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Agreement to Participate in Confidentiality Agreement

Background Facts:

On February 19, 2014, the Bankruptcy Court presiding over the Winnie Community Hospital's (the "Hospital") Chapter 11 Bankruptcy proceedings (the "Bankruptcy") granted the Chapter 11 Trustee's (the "Trustee") Motion to Approve Bid Procedures. The Order granting the Motion to Approve Bid Procedures calls for any potentially interested bidders for the Hospital or its assets to submit bids to the Trustee by 5:00 on March 14, 2014. If more than one bid is received, the Trustee will determine, in consultation with the Hospital's Secured Creditors, (1) which bids are Qualified Offers; (2) the Initial Highest Bid; (3) give written notification to certain parties what the results of those determinations are; and (4) issue parties placing Qualified Offers an invitation to the Auction.¹ The Auction will then take place on March 19, 2014, beginning at 10:00 a.m. at the Trustee's offices.

The District congratulates both the Trustee and the Bankruptcy Court in advancing this case to a point where the Bid Procedures are now in place now that former management was removed.

It is the District's statutory duty to ensure that the health care needs, particularly the indigent, of the citizens of the District are protected. The District made an appearance in the Bankruptcy with intent of keeping the Hospital open and operating. The District believes that the Hospital is crucial to the citizens of the District's healthcare needs. As a result, the District has expensed considerable funds working through the bankruptcy process in order to get a better understanding of the hospital's finances and operations.

Throughout the Bankruptcy, the District's goals and policy towards the Hospital remained the same. The District On June 10, 2013, the District previously adopted a Policy Statement that mandated:

It is not the District's intention to own and operate the Hospital. The District's position is that the Hospital and its property should be valued and sold as an operating hospital on the open market with new management. However, if and only if: 1) the Hospital cannot be sold on the open market; and 2) it is financially viable, the District would consider taking over the ownership and operations of the Hospital. In an effort to be prepared for this possibility, the District has retained a consulting firm to analyze the District's options as well as the Hospital's financial viability and operations.

The District reaffirms that policy statement.

¹ Capitalized terms not defined herein are ascribed the definition assigned to them in the Motion to Approve Bid Procedures.

The District's Position:

While the District is not desirous of owning the Hospital, it does want to ensure that there is at least one Qualified Offer. Therefore, in conjunction with its consultants and attorneys, it will be preparing a bid to submit to the Trustee.

In the meantime, the District is still of the opinion that it is more desirable that the Hospital be sold on the open market. But it also realizes that many interested potential bidders may want to engage in talks with the District about providing various means of support to the Hospital if those interested parties ultimately prevail in the purchase of the Hospital or its assets. Moreover, those same potentially interested bidders may need information from the District as to what levels of support would be available from the District in connection with various programs. The District believes this information may be helpful to bidders in formulating their best possible bid. Therefore, the Districts adopts the criteria listed below for considering future support of any potential winning bidder.

The District will consider bidders in light of the criteria in evaluating any bids that seek to gain the District's future financial support. **The criteria are only guidelines the District will consider in evaluating any bidder who seeks the District's future financial support.** District support could include, but is not limited to: (1) grants; (2) equipment purchases; (3) inter-governmental transfers ("IGT's") to participate in various federally funded 1115(b) waiver or similar programs such as (a) the UC program, (b) 340(b) program, (c) DSRIP program and (d) burden alleviation programs; (4) an arrangement whereby the District owns the building and assets but enters into a management and/or profit sharing arrangement with the potential bidder; or (5) other such similar means support.

Therefore, the District encourages any and all potential bidders to meet with District's designated representatives prior to the bid submission deadlines and Auction. The process and means by which to do so are described in more detail below in the Criteria and Advisory Committee sections of this Position Statement.

Criteria:

- 1) **Board Member:** Ability to place a District board member on the Board of Directors, or other such similar type of governing body, of whatever entity(ies) is/are formed to acquire the Hospital;
- 2) **Management Fees:** Controls on how much the Hospital will pay out for management fees for the operations of the Hospital;
- 3) **Future Sale of Hospital:** Controls on the ability of the winning bidder to sell the Hospital to unaffiliated third parties within certain time frames;
- 4) **Financial Disclosure:** Quarterly provisions of financials with cash flow forecasts;
- 5) **Annual Audits:** Annual provision of audited financial statements to the District by the Hospital and any affiliated entities to the Hospital at the Hospital's cost;

- 6) **Independent Audit:** Ability for the District to audit the Hospital' and any affiliates' financials;
- 7) **Limits on Dividend Payments:** Limitations on the payment of dividends out of operations or upstreaming money from operations if appropriate cash reserves and asset to debt ratios are not met;
- 8) **Payment of District's Expenses:** Payment of the District's prior advances in this case to the Trustee and payment of all amounts for which the Bankruptcy Court allows the District as a substantial contribution claim upon application of the District for payment of certain of its professionals' fees and expenses; and
- 9) **Indemnity for Legal Risk:** Limitations and evaluations of potential contractual/legal risks including, but not limited to, potential claims of insurers challenging under agreements and/or potential audits and adjustments to prior cost reports for items such as the lease/buy back. If the bidder wants to continue with such business practices, maintenance of appropriate loss reserves to fund potential liabilities.

Advisory Committee and Scope of Committee:

The various combinations and means by which the District can help support the Hospital are numerous, nuanced and complex. But, because the District is submitting a bid itself, the District believes the fairest way to go about this process of interviewing other potential bidders is to appoint an Advisory Committee. As the name of the Committee suggests, its role is an advisory one only and the ultimate decision made in how to proceed in this bankruptcy process remains in the District's Board. It is the goal of the District for the Advisory Committee to conduct this process in confidence and with fairness to all bidders.

On February 26, 2014, the District has called a special meeting to appoint an Advisory Committee. This Committee will be made up of two Board members; members of the Winnie Medical Foundation; and Hospital Personnel; Emergency Service Personnel; and concerned citizens. The Advisory Committee will appoint a Chairperson of the Committee and all potential bidders should contact the Chairperson to arrange for interviews and/or information.

The scope of the Advisory Committee's duties will be to serve as the District's liaison with potential bidders and then to meet with potential bidders to discuss:

- 1) The best means by which the Hospital can successfully operate on a go forward basis and the bidders' business plan for the Hospital;
- (2) How the District can help facilitate successful operations; and
- (3) Satisfaction of the Criteria and the terms under which the District is able to and will agree to offer that support given the bidder's business plan for the Hospital.

Afterwards, the Advisory Committee will make its recommendation to the District as to what potential bidder(s) would be best for the Winnie Community Hospital and to what degree the potential bidder(s) comply with the District's criteria described above.

Confidentiality Agreement-Advisory Committee:

Members of the District's Advisory Committee referenced above understand and acknowledge that the District is subject to the attached Confidentiality Agreement. *See* Exhibit A. As members of the Committee, each member of the Committee acknowledges that he or she has read the Confidentially Agreement and is subject to the terms of the Confidentially Agreement.

AGREED TO:

David Murrell

Commissioner Mark Huddleston

Jeff Jenkins

Danny Thompson

Larry Barron

Bobby Way

Raul Espinoza

Edward Murrell