

**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 8:300 a.m. on the 9th day of November, 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 with the exception of Director Sharon Burgess. 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; Mo Danishmund with the Winnie Community Hospital, Lisa Ponce with the Seabreeze Beacon, and Hazel Meaux, citizen.

At approximately, 8:31 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. There being no public comment, Chairman Henry asked the Board to move to Agenda Item No. 3, to discuss and take action, if necessary on obtaining a status report by the Winnie Community Hospital on projects funded by the District. In so doing, Chairman Henry called on Director Espinoza and Mary Ellen Robertson, District’s CPA, to give a report of their findings. (See **Exhibit “A”**). According to the two, they met with Mo Danishmund on Wednesday, November 4, 2015 and confirmed that they provided copies for the

checks used to pay the invoices being examined by the District in order to confirm the funds expended by the District pursuant to the Indigent Care Agreement with the Winnie Community Hospital were being spent in accordance with the Agreement. The group also explained that pursuant to the Board's action at the September 2015 Regular Meeting, the parties would meet and confer before the November 18, 2015 Regular Meeting to check additional invoices and proof of payment to confirm that the District's funds are being spent as specified in the Indigent Care Agreement. Afterwards, the Hospital was notified that it is scheduled to give a report at the November 2015 Regular Meeting as presented by the Hospital at the September 2015 Regular meeting.

Turning to Agenda Item No. 4, Chairman Henry called on Attorney Oxford to discuss and take action, if necessary, authorizing the Building Committee and Finance Committee to engage in negotiations for potential sale of land and property belonging to the District on Highway 124 to the East Chambers Independent School District and to develop a potential partnership with the School District for healthcare related student services. Attorney Oxford explained that Chapter 272 of the Local Government Code enables the District to negotiate with an adjoining landowner directly for the sale of real property and therefore, since the East Chambers Independent School District was an adjoining neighbor, the Board had authority to negotiate with the School District for a price to sell the School District the real property and improvements. As such, Attorney Oxford recommended that the District's Finance Committee be given authority to meet and confer with the School District to negotiate a sales price for the property on Highway 124 owned by the Hospital District. Thereafter, a motion was made by Director Murrell to authorize the Finance Committee to negotiate the sale of the real property and improvements owned by the Hospital District on Highway 124 to the East Chambers School

District, subject to Board approval. This motion was seconded by Espinoza with the unanimous consent of all Board members present.

Following Attorney Oxford's discussion on Agenda Item No. 4, Chairman Henry asked him to also address Agenda Item No. 5, to discuss and take action, if necessary on authorizing the District's administrator to open Government Receivable accounts at Wells Fargo for the six facilities being managed by Genesis Healthcare. Attorney Oxford reminded the Board that two of the six nursing homes it operates and that are being managed by Genesis Healthcare are being refinanced by the owner of the real property through a loan program where the loans are backed by the Department of Housing and Urban Development ("HUD"). Moreover, Attorney Oxford reported that it is the intent of the owner of real property for all six facilities being managed by Genesis to enter into these same loans backed by HUD. As such, the Lender for these HUD loans has requested the District provide various levels of security for each of the facility's revenue accounts. In addition to a security agreement, in which the revenue from each of District's depository accounts for its Genesis facilities are collateralized, the HUD lender is requiring the District to open six new depository accounts in order to receive revenue from the District's existing depository account on a daily basis. The new accounts would then be subject to a Depository Account Control Agreement ("DACA") that turns over control of the accounts in the event that owner of the facilities is in default of the loan(s). The existing Depository Accounts owned by the account would be subject to a Collection Account Agreement or otherwise known as a DAISHA Agreement or a Sweep Agreement.

The purpose of this cash flow concept is to guarantee that revenue subject to a security agreement for each facility's loans with the HUD Lenders is swept from the existing depository account by way of a DAISHA agreement into a new account that is controlled by a DACA agreement. The need for two accounts per facility is necessitated by the traditional rule that

accounts receiving federal funds from CMS cannot be collateralized, or subject to a DACA agreement. Therefore, after the revenue is deposited into the existing depository account then swept to the new account that is subject to a DACA Agreement, these funds become fungible, and lose the designation of federal funds. A model of the cash flow can be found on **Exhibit “B”**.

Attorney Oxford then asked the Board for permission for the District’s Administrator to open six new accounts at Wells Fargo but explained that these accounts would not be used until the Board approved the proposed DAISHA and DACA agreements for the accounts. A motion was then made by Director Rollo to open six new depository accounts at Wells Fargo for the nursing facilities being managed by Genesis to be utilized following the Board’s approval of DACA and DAISHA agreements for the existing accounts and new accounts. This motion was seconded by Director Murrell with the unanimous consent of all Board members present.

Afterwards, Chairman Henry addressed Agenda Item No. 6, to discuss and take action, if necessary on the District’s continued participating in the **Texas Association of Public Nursing Homes (“TAPNH”)** and in the Interlocal Cooperative Agreement with other non-state owned governmental entities to assist the District in maximizing reimbursement; reduce certain cash flow and economic risks, and resolve certain inequities related to the Texas Nursing Facility Minimum Payment Amount Program (“MPAP”). Attorney Oxford explained that no action needed to be taken on this agenda item because the deadline to decide whether to continue in TAPNH was extended pending the organizations ability to secure contracts with the Managed Care Organizations for a MPAP payment. Additionally, attorney Oxford explained that Genesis has informed the Board that they do not desire to be subject to the TAPNH payment formula but would not oppose the District continuing to remain in the organization. However, if the District moves remains a member of TAPNH, Genesis has requested that they continue to be paid

pursuant to the Management Agreement based on the terms of the Texas Administrative Code §353.608. As such, Attorney Oxford advised the Board he was working with Mary Ellen Robertson on evaluating this proposal in order to be able to give the Board a risk assessment.

Lastly, the Board was then asked to consider Agenda Item No. 7, to discuss and take action on receiving a financial report for the April and March Proxy payment and disbursements of MPAP funds. Mary Ellen Robertson informed the Board that there was to be no action taken on this agenda item because the Distribution of profits pursuant to the Management Agreements with the District's Managers was scheduled to take place upon receipt of the May 2015 MPAP payment that scheduled to be received at some point in November 2015. In addition, Mrs. Robertson reported to the Board that following the receipt of all but a small amount of the MPAP funds, she was able to finalize the District's September 30, 2015 financial statements. (*See Exhibit "C"*). Among the many things reported in the statements, per the financial statements as of September 30, 2015 the District had an ending cash or cash equivalent of \$454,701.00. Moreover Mrs. Robertson forecasted the District revenue from participating in the UPL and MPAP program and stated that a very conservative estimate of funds received by the District for its participation would be in excess of \$6,000,000.00.

The Board then took a ten minute break and at 10:05 a.m. Chairman Henry called the Board into Executive Session pursuant to Section 551.071 and 551.072 of the Texas Government Code to discuss real estate acquisitions and consultations with their lawyer. The Board returned from Executive Session at 10:57 a.m. but did not take any action on the matters discussed.

Following the Executive Session, there were no further agenda items to discuss and Chairman Henry asked for a motion to adjourn at 10:58 a.m. A 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