

# **EXHIBIT “A”**

**WINNIE-STOWELL HOSPITAL DISTRICT  
WINNIE, TEXAS**

**DRAFT**

**AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2024 AND 2023**



## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management  
Winnie-Stowell Hospital District  
Winnie, Texas

### Opinions

We have audited the accompanying financial statements of the business-type activities of Winnie-Stowell Hospital District (the "District") as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as presented on pages 1-5.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of December 31, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages A-1 through A-4 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

**Required Supplementary Information (Continued)**

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

D & Co., L.L.P.  
Lubbock, Texas  
October 2, 2025

DRAFT

**WINNIE-STOWELL HOSPITAL DISTRICT  
WINNIE, TEXAS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DRAFT**

**AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2024 AND 2023**

**WINNIE-STOWELL HOSPITAL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**AND FINANCIAL STATEMENTS**

Our discussion and analysis of Winnie-Stowell Hospital District’s financial performance provides an overview of the District’s financial activities for the fiscal years ended December 31, 2024 and 2023. Please read it in conjunction with the District’s financial statements, which begin on page 1.

**FINANCIAL HIGHLIGHTS**

- The District’s net position increased in 2024 by \$8,369,626 or 32.6% and increased in 2023 by \$4,181,118 or 19.4%.
- The District’s net patient service revenue increased in 2024 by \$184,933,996 or 45.8% and increased in 2023 by \$46,856,378 or 13.1%.
- The District’s operating expenses increased in 2024 by \$180,606,803 or 45.2% and increased in 2023 by \$51,351,615 or 14.7%.
- The District’s non-operating revenues/expenses increased in 2024 by \$1,483,569 or 69.8% and decreased in 2023 by \$2,699,760 or 471.3%.

**USING THIS ANNUAL REPORT**

The District’s financial statements consist of three statements, a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Fund Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors, and enabling legislation.

**The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position**

Our analysis of the District’s finances begins on page A-2. One of the most important questions asked about the District’s finances is, “Is the District as a whole better or worse off as a result of the year’s activities?” The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District’s resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District’s net position and changes to it. You can think of the District’s net position—the difference between assets and liabilities—as one way to measure the District’s financial health, or financial position. Over time, increases or decreases in the District’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the District.

**WINNIE-STOWELL HOSPITAL DISTRICT  
 UNAUDITED MANAGEMENT’S DISCUSSION AND ANALYSIS  
 AND FINANCIAL STATEMENTS (CONTINUED)**

**The Statement of Cash Flows**

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as “Where did cash come from? “What was cash used for?” and “What was the change in cash balance during the reporting period?”

**THE DISTRICT’S NET POSITION**

The District’s net position is the difference between its assets and liabilities reported in the Statement of Net Position on page 2. The District’s assets, liabilities, and net position are summarized in **Table 1**. The total net position represents the District’s net worth.

**Table 1: Assets, Liabilities, and Net Position**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets:			
Current Assets	\$ 204,236,622	\$ 142,270,930	\$ 111,654,902
Capital Assets (net)	3,883,789	2,065,752	1,426,949
Total Assets	<u>\$ 208,120,411</u>	<u>\$ 144,336,682</u>	<u>\$ 113,081,851</u>
Liabilities:			
Other Current and Non-Current	\$ 174,048,230	\$ 118,634,127	\$ 91,560,414
Total Net Position	<u>34,072,181</u>	<u>25,702,555</u>	<u>21,521,437</u>
Total Liabilities and Net Position	<u>\$ 208,120,411</u>	<u>\$ 144,336,682</u>	<u>\$ 113,081,851</u>

A significant component of the change in the District’s assets is the increase in nursing home supplemental payment receivable in the amount of \$25,925,123, and the increase in prepaid and other current assets of \$17,062,061 in 2024. A significant component of the change in the District’s liabilities, deferred inflows of resources and net position is the increase in accounts payable of \$22,411,564 and the increase in notes payable of \$33,007,106 in 2024.

**WINNIE-STOWELL HOSPITAL DISTRICT  
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND FINANCIAL STATEMENTS (CONTINUED)**

**OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET POSITION**

In 2024 and 2023, the District's net position increased in 2024 by \$8,369,626 or 32.6% and increased in 2023 by \$4,181,118 or 19.4%.

	2024	2023	2022
Operating Revenues:			
Net Patient Service Revenue	\$ 589,073,291	\$ 404,139,295	\$ 357,282,917
Other Operating Revenue	60,573	1,682,827	36,953
Total Operating Revenue	<u>589,133,864</u>	<u>405,822,122</u>	<u>357,319,870</u>
Operating Expenses:			
Salaries	181,327	184,339	150,062
Employee Benefits	53,314	16,186	11,559
Nursing Home Expenses	538,046,722	367,380,339	322,097,373
Indigent Care	1,305,814	2,625,275	892,601
Legal and Consulting Fees	5,363,574	3,479,022	2,825,549
Grant Expense	1,460,007	1,868,233	1,442,537
Other Operating	33,672,577	23,955,542	20,737,640
Depreciation and Amortization	37,583	5,179	5,179
Total Operating Expenses	<u>580,120,918</u>	<u>399,514,115</u>	<u>348,162,500</u>
Operating Income	9,012,946	6,308,007	9,157,370
Nonoperating Revenues and (Expenses):			
Sales Tax Revenue	905,088	945,549	781,769
CAREs Act Provider Relief Funds	-	-	3,252,152
Investment Income	910,101	328,761	36,847
Interest Expense	<u>(2,458,509)</u>	<u>(3,401,199)</u>	<u>(3,497,897)</u>
Total Nonoperating Revenue / (Expense)	<u>(643,320)</u>	<u>(2,126,889)</u>	<u>572,871</u>
Increase in Net Position	<u>\$ 8,369,626</u>	<u>\$ 4,181,118</u>	<u>\$ 9,730,241</u>

**Operating Income**

Contributing to the overall change of the District's net position is its operating income, generally, the difference between the net patient service revenue and the expenses incurred to perform those services. The District has reported an operating income of \$9,012,946 and \$6,308,007 in 2024 and 2023, respectively.

**WINNIE-STOWELL HOSPITAL DISTRICT  
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND FINANCIAL STATEMENTS (CONTINUED)**

**Nonoperating Revenues and Expenses**

Nonoperating revenues consist primarily of sales taxes levied by the state and investment income. The District received \$40,461 less in taxes in 2024, while in 2023 the taxes collected increased by \$163,780. The District recognized investment income of \$910,101 and \$328,761 as of December 31, 2024 and 2023. Nonoperating expenses consist primarily of interest expense. The District paid \$942,690 less in interest in 2024 and \$96,698 more in 2023.

**THE DISTRICT'S CASH FLOWS**

Changes in the District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses previously discussed.

**DEBT ADMINISTRATION**

**Debt**

At December 31, 2024 and 2023, the District had \$58,614,000 and \$25,606,894, respectively, in notes payable as detailed in Note 8 of the financial statements.

**Other Economic Factors**

The District maintains good relations with various employers in the area. The District seeks to maintain its provider status in the many health insurance networks that local employers participate in. The District will continue to look for ways to foster its relationship with local employers and work towards promoting the services it offers to potential patients in the area.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's office at Winnie-Stowell Hospital District, 538 Broadway, Winnie, Texas 77665.

**WINNIE-STOWELL HOSPITAL DISTRICT  
WINNIE, TEXAS**

**FINANCIAL STATEMENTS**

**DRAFT**

**AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2024 AND 2023**

**WINNIE-STOWELL HOSPITAL DISTRICT  
STATEMENTS OF NET POSITION**

**DECEMBER 31, 2024 AND 2023**

<b>ASSETS:</b>	<u>2024</u>	<u>2023</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 33,778,730	\$ 22,101,569
Short-Term Investments	-	8,200,000
Nursing Home Patient Accounts Receivable, Net	88,339,642	72,875,433
Nursing Home Supplemental Payment Receivable	40,962,227	15,037,104
Prepaid and Other Current Assets	40,961,713	23,899,652
Sales Taxes Receivable	<u>194,310</u>	<u>157,172</u>
Total Current Assets	204,236,622	142,270,930
 <b>CAPITAL ASSETS, NET</b>		
Land	3,010,849	1,197,232
Construction-in-Progress	-	757,595
Depreciable Capital Assets, Net	<u>872,940</u>	<u>110,925</u>
Total Capital Assets, Net	<u>3,883,789</u>	<u>2,065,752</u>
Total Assets	<u>\$ 208,120,411</u>	<u>\$ 144,336,682</u>

**WINNIE-STOWELL HOSPITAL DISTRICT**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2024 AND 2023**

<b>LIABILITIES AND NET POSITION:</b>	<u>2024</u>	<u>2023</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 115,425,113	\$ 93,013,549
Accrued Payroll, Benefits, and Related Liabilities	9,117	13,684
Notes Payable	58,614,000	25,606,894
Total Current Liabilities	<u>174,048,230</u>	<u>118,634,127</u>
Total Liabilities	<u>174,048,230</u>	<u>118,634,127</u>
<b>NET POSITION</b>		
Invested in Capital Assets Net of Related Debt	3,883,789	2,065,752
Unrestricted	<u>30,188,392</u>	<u>23,636,803</u>
Total Net Position	<u>34,072,181</u>	<u>25,702,555</u>
Total Liabilities and Net Position	<u><u>\$ 208,120,411</u></u>	<u><u>\$ 144,336,682</u></u>

**WINNIE-STOWELL HOSPITAL DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024	2023
<b>OPERATING REVENUES:</b>		
Net Nursing Home Patient Service Revenue	\$ 589,073,291	\$ 404,139,295
Other Revenue	60,573	1,682,827
Total Operating Revenues	589,133,864	405,822,122
<b>OPERATING EXPENSES:</b>		
Salaries	181,327	184,339
Employee Benefits	53,314	16,186
Nursing Home Expenses	538,046,722	367,380,339
Indigent Care	1,305,814	2,625,275
Legal and Consulting Fees	5,363,574	3,479,022
Grant Expense	1,460,007	1,868,233
Other Operating	33,672,577	23,955,542
Depreciation and Amortization	37,583	5,179
Total Operating Expenses	580,120,918	399,514,115
Operating Income	9,012,946	6,308,007
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Sales Tax Revenue	905,088	945,549
Investment Income	910,101	328,761
Interest Expense	(2,458,509)	(3,401,199)
Total Nonoperating Revenues (Expenses)	(643,320)	(2,126,889)
Excess of Revenues Over Expenses Before Capital Grants and Contributions	8,369,626	4,181,118
Increase in Net Position	8,369,626	4,181,118
Net Position, Beginning of Year	25,702,555	21,521,437
Net Position, End of Year	\$ 34,072,181	\$ 25,702,555

**WINNIE-STOWELL HOSPITAL DISTRICT  
STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024	2023
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from and on Behalf of Patients	\$ 495,187,074	\$ 338,892,760
Other Receipts and Payments, net	1,628,162	(1,393,850)
Indigent Care Support	33,971,326	(10,219,299)
Payments to Suppliers and Contractors	(557,541,221)	(321,845,959)
Payments to Employees	(239,208)	(188,247)
Net Cash Provided by (Used in) operating activities	(26,993,867)	5,245,405
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Earnings	910,101	328,761
Purchase of Investments	-	(1,180,578)
Proceeds From Sale of Investments	8,200,000	-
Net Cash Provided by (Used in) Investing Activities	9,110,101	(851,817)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Capital Assets	(1,855,620)	(643,982)
Net Cash Used in Capital and Related Financing Activities	(1,855,620)	(643,982)
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Sales Tax	867,950	924,834
Principal Payments on Debt and Notes Payable	(27,598,380)	(50,376,597)
Proceeds From Issuance of Long-Term Debt and Notes Payable	60,605,486	46,911,729
Interest Payments on Long-Term Debt and Notes Payable	(2,458,509)	(3,401,199)
Net Cash Provided by (Used in) Noncapital Financing Activities	31,416,547	(5,941,233)
Net Increase (Decrease) in Cash and Cash Equivalents	11,677,161	(2,191,627)
Cash and Cash Equivalents, Beginning of Year	22,101,569	24,293,196
Cash and Cash Equivalents, End of Year	\$ 33,778,730	\$ 22,101,569

**WINNIE-STOWELL HOSPITAL DISTRICT  
STATEMENTS OF CASH FLOWS (CONTINUED)**

**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024	2023
<b>RECONCILIATION OF CASH AND EQUIVALENTS TO THE BALANCE SHEETS</b>		
Cash and equivalents presented under the following titles:		
Cash and Cash Equivalents	\$ 33,778,730	\$ 22,101,569
	<u>\$ 33,778,730</u>	<u>\$ 22,101,569</u>
<b>RECONCILIATION OF NET INCOME TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating Income	9,012,946	6,308,007
Adjustments to Reconcile Operating Income to Net Cash Flows Used in Operating Activities:		
Depreciation and Amortization	37,583	5,179
Increase in:		
Accounts Receivable	(15,464,209)	(23,193,191)
Prepaid Expenses and Other Current Assets	(17,062,061)	(5,218,162)
Nursing Home Supplemental Payment Receivable	(25,925,123)	(3,195,009)
Increase (Decrease) in:		
Accounts Payable	22,411,564	30,526,303
Accrued Salaries and Benefits Payable	(4,567)	12,278
	<u>(4,567)</u>	<u>12,278</u>
Net Cash Provided By (Used in) Operating Activities	<u>\$ (26,993,867)</u>	<u>\$ 5,245,405</u>

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - The Winnie-Stowell Hospital District (the “District”) was formed as a political subdivision under the laws of the State of Texas, and became effective on January 1, 2005, in the eastern portion of Chambers County, Texas. The District is governed by an elected five-member board of directors serving four-year terms. As a hospital district it is not controlled by or dependent upon any other entity and does not exercise control over operations of any other entity. The District has entered into operations transfer agreements with forty nursing facilities which transferred the operations and certain operating assets of each facility. The District has also received an assignment or transfer of the Medicare and Medicaid Provider agreements for each facility.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (“GASB”).

**Enterprise Fund Accounting** – The District uses enterprise fund accounting. Revenues and expenses are recognized on an accrual basis using the economic resources measurement focus. The District has elected to apply the provisions based on GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The District has also elected to apply the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**Newly Adopted Accounting Pronouncements:**

**GASB Statement No. 100** – In June 2022, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 100 – *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement is effective for fiscal years beginning after June 15, 2023, with earlier application encouraged. Implementation of the Statement had no effect on the District’s change in net position.

**GASB Statement No. 101** – In June 2022, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Statement is effective for fiscal years beginning after December 15, 2023, with earlier application encouraged. Implementation of the Statement had no effect on the District’s change in net position.

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pending Adoption of Recent Accounting Pronouncements:**

**GASB Statement No. 102** – In December 2023, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 102 – *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The Statement is effective for fiscal years beginning after June 15, 2024, with earlier application encouraged. Management is currently evaluating the effect this Statement will have on the financial statements and related disclosures.

**GASB Statement No. 103** – In April 2024, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 103 – *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The Statement is effective for fiscal years beginning after June 15, 2025, with earlier application encouraged. Management is currently evaluating the effect this Statement will have on the financial statements and related disclosures.

**GASB Statement No. 104** – In September 2024, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 104 – *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The Statement is effective for fiscal years beginning after June 15, 2025, with earlier application encouraged. Management is currently evaluating the effect this Statement will have on the financial statements and related disclosures.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - The District considers highly liquid investments with an original maturity of three months or less to be cash equivalents, excluding amounts whose use is limited by board designation or other arrangements under trust agreements.

**Patient Accounts Receivable** – The allowance for estimated uncollectible patient accounts receivable is maintained at a level which, in management’s judgment, is adequate to absorb patient account balance write-offs inherent in the billing process. The amount of the allowance is based on management’s evaluation of the collectability of patient accounts receivable, including the nature of the accounts, credit concentrations, and trends in historical write-off experience, specific impaired accounts, and economic conditions. Allowances for uncollectibles and contractuals are generally determined by applying historical percentages to financial classes within accounts receivable. The allowances are increased by a provision for bad debt expenses and contractual adjustments, and reduced by write-offs, net of recoveries.

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments** – The District is authorized to invest excess working capital and assets whose use is limited in certificate of deposit, money market accounts, or U.S. government securities. The District can invest its excess working capital monies in certificates of deposit at its designated depository and other financial institutions. Investments at the District’s depository are secured by the Federal Deposit Insurance Corporation (FDIC) or through the purchase of collateral in the form of US government securities by the depository.

**Assets Whose Use is Limited** - Assets whose use is limited (if any) include assets held under indenture agreements and designated assets set aside by the board of directors to be used for capital expenditures over which the board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the District have been reclassified as current assets

**Capital Assets** – Capital assets are carried at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment life. Such amortization is included in depreciation and amortization in the financial statements. Except for capital assets acquired through gifts, contributions, or capital grants, interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring these assets.

The District has elected to capitalize expenditures over \$5,000 and provide for depreciation of capital assets by the straight-line method at rates promulgated by the American Hospital Association, which are designed to amortize the cost of such equipment over its useful life as follows:

Building	5 to 50 years
Major Moveable Equipment	3 to 20 years

**Net Position** – Net position of the District is classified into two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

**Operating and Nonoperating Revenues and Expenses** – For purposes of display, the District’s statements of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses result from exchange transactions associated with providing health care services – namely, nursing home patient care services. Operating expenses include salaries and benefits, purchased services, supplies, indigent care, and depreciation of capital assets. Nonoperating revenues and expenses include all other activities not directly related to patient care services. These primarily consist of sales tax revenue, investment income, and interest expense. Items that do not meet the definition of operating revenues or expenses are reported as nonoperating.

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Short-term leases** - Agreements with a maximum enforceable term of twelve months or less (including all renewal options), or that either party may cancel without more-than-insignificant penalty, are expensed as incurred; no lease asset or lease liability is recognized.

**Federal Income Taxes** - The District is a political subdivision under the laws of the State of Texas, and therefore, it is exempt from federal income tax pursuant to Section 115 of the Internal Revenue Code. Additionally, pursuant to Section 1.6033-2(g)(6) of the Income Tax Regulations, it is not required to file an information return form 990.

**Indigent Care** – The District provides payment for services to health care providers for certified indigents who have applied and met the District’s criteria for indigent care. The District pays a discounted rate which in most cases is equal to the Medicaid reimbursement rates.

**Sales Tax Revenue** – In accordance with GASB Statement No. 33, the District recognizes sales tax revenue on the accrual basis in the period in which the underlying taxable transactions occur.

**Retirement and Other Postemployment Benefits (OPEB)** – The District does not participate in any defined benefit pension plan or provide other postemployment benefits (OPEB) to its employees. Accordingly, no liabilities or related disclosures are reported under GASB Statement Nos. 68 or 75.

**Risk Management** - The District is exposed to various risks of loss from torts: theft of, damage to and destruction of assets; business interruption; errors and omissions and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage during the year.

**NOTE 2 – NURSING HOME NET PATIENT SERVICE REVENUE**

Net nursing home patient service revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on the basis of estimates of the amounts due to or from the District under current reimbursement regulations.

The District has entered into operations transfer agreements with multiple nursing facilities. Under these agreements, the District receives the Medicare and Medicaid provider numbers and assumes contractual responsibility for patient revenues. The facilities are managed by contracted operators who bill and collect revenues on behalf of the District.

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 2 – NURSING HOME NET PATIENT SERVICE REVENUE (CONTINUED)**

For the years ended December 31, 2024 and 2023, gross patient service charges, contractual adjustments, and provisions for bad debts were as follows:

	<u>2024</u>	<u>2023</u>
SNF Gross Patient Revenue	\$ 608,073,399	\$ 415,809,377
Provision for Bad Debts	<u>(19,000,108)</u>	<u>(11,670,082)</u>
Net Nursing Home Patient Service Revenue	<u>\$ 589,073,291</u>	<u>\$ 404,139,295</u>

**NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS**

At December 31, 2024 and 2023, the carrying amount of the District’s deposits with financial institutions was \$33,778,730 and \$30,301,569, respectively, and the bank balance was \$23,443,841 and \$29,571,600, respectively.

	<u>2024</u>	<u>2023</u>
Amount insured by the FDIC	\$ 1,000,000	\$ 1,000,000
Amount collateralized with securities held by the pledging financial institution's trust department in the District's name	<u>22,443,841</u>	<u>28,571,600</u>
Total bank balance	<u>\$ 23,443,841</u>	<u>\$ 29,571,600</u>

**NOTE 4 – INVESTMENTS**

The District invests in TexSTAR, a local government investment pool created under the Interlocal Cooperation Act and administered by First Southwest Asset Management, Inc. and JPMorgan Chase. TexSTAR is rated AAAM by Standard & Poor’s. In accordance with GASB Statement No. 79, Certain External Investment Pools and Pool Participants, TexSTAR measures investments at amortized cost, which approximates fair value. The District reports its position in TexSTAR on the same basis. Participants in TexSTAR may redeem units at the fund’s net asset value per share, which is calculated daily. The fund maintains a weighted average maturity of 60 days or less and a maximum maturity of 13 months for any individual security. At December 31, 2024 and 2023, the District’s investment balances in TexSTAR were \$10,334,889 and \$736,920, respectively.

Because TexSTAR measures its investments at amortized cost and complies with GASB 79 requirements, the District’s investment is not categorized within the fair value hierarchy established by GASB Statement No. 72.

The District had no other investments measured at fair value as of December 31, 2024 and 2023.

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 4 – INVESTMENTS (CONTINUED)**

The District’s investments may be exposed to the following types of risk:

**Interest Rate Risk** – Interest rate risk is the risk that the market values of investments will change based on changes in market interest rates. The District limits maturities to one year or less as a means of managing its exposure to fair value losses arising from increasing interest rates. State investment pools are presented as an investment with a maturity of less than one year because they are redeemable in full immediately. TexSTAR limits the weighted average maturity of its underlying investments to 60 days, thereby minimizing interest rate risk.

**Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2024 and 2023, the District’s investments in TexSTAR was rated AAA by Standard & Poor’s.

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. TexSTAR is managed to fulfill all requirements of the Texas Public Funds Investment Act.

**Concentration of Credit Risk** – The District places no limit on the amount that may be invested in any one issuer. At December 31, 2024 and 2023, all of the District’s investments were held in TexSTAR.

**NOTE 5 – NURSING HOME ACCOUNTS RECEIVABLE**

**Concentration of Credit Risk** – The District grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 is as follows:

	<u>2024</u>	<u>2023</u>
Medicare	11%	9%
Medicaid	16%	15%
Managed Care	53%	54%
Patients	<u>20%</u>	<u>22%</u>
Total	<u>100%</u>	<u>100%</u>

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 6 – SALES TAX RECEIVABLE**

Sales taxes are collected by the State of Texas and remitted to the District monthly. Vendors collect the tax and remit it to the state by the 20th of the month following collection. The State then pays the District by the Friday following the second Wednesday of the subsequent month. Tax revenue for 2024 and 2023 was \$905,088 and \$945,549, respectively. In accordance with GASB Statement No. 33, the District recognizes sales tax revenue on the accrual basis in the period in which the underlying taxable transactions occur. Accordingly, revenue is recognized in the financial statements even though collections may occur in subsequent periods. These funds are used to support operations.

As of December 31, 2024 and 2023, the balance of sales tax receivable and its related allowance for uncollectible taxes are as follows:

	<u>2024</u>	<u>2023</u>
Taxes Receivable	<u>\$ 194,310</u>	<u>\$ 157,172</u>

**NOTE 7 – CAPITAL ASSETS**

The following is a summary of capital assets at cost less accumulated depreciation:

	<u>Balance 12/31/23</u>	<u>Additions</u>	<u>Reclass/ Retirements</u>	<u>Balance 12/31/24</u>
Land	\$ 1,197,232	\$ 1,813,617	\$ -	\$ 3,010,849
Building and improvements	129,483	-	757,595	887,078
Equipment	140,655	42,003	-	182,658
Construction in progress	757,595	-	(757,595)	-
Totals at Historical Cost	2,224,965	1,855,620	-	4,080,585
Less Accumulated Depreciation for:				
Building and improvements	(18,558)	(35,483)	-	(54,041)
Equipment	(140,655)	(2,100)	-	(142,755)
Total Accumulated Depreciation	<u>(159,213)</u>	<u>(37,583)</u>	<u>-</u>	<u>(196,796)</u>
Capital Assets, Net	<u>\$ 2,065,752</u>	<u>\$ 1,818,037</u>	<u>\$ -</u>	<u>\$ 3,883,789</u>

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

	Balance 12/31/22	Additions	Reclass/ Retirements	Balance 12/31/23
Land	\$ 1,197,232	\$ -	\$ -	\$ 1,197,232
Building and improvements	129,483	-	-	129,483
Equipment	140,655	-	-	140,655
Construction in progress	113,613	643,982	-	757,595
Totals at Historical Cost	1,580,983	643,982	-	2,224,965
Less Accumulated Depreciation for:				
Building and improvements	(13,379)	(5,179)	-	(18,558)
Equipment	(140,655)	-	-	(140,655)
Total Accumulated Depreciation	(154,034)	(5,179)	-	(159,213)
Capital Assets, Net	<u>\$ 1,426,949</u>	<u>\$ 638,803</u>	<u>\$ -</u>	<u>\$ 2,065,752</u>

Management has evaluated capital assets for impairment and noted no impairments as of December 31, 2024 and 2023.

**NOTE 8 – NOTES PAYABLE**

Following is a summary of notes payable at December 31:

	Balance 12/31/23	Additions	Reductions	Balance 12/31/24
FFB Line of Credit	2,442,255	-	(2,442,255)	-
FFB Loan 11 Months	7,743,606	-	(7,743,606)	-
FFB Loan	15,421,033	-	(15,421,033)	-
FFB Loan 25	-	29,290,000	-	29,290,000
FFB Loan 26	-	29,324,000	-	29,324,000
Total Notes Payable	<u>\$ 25,606,894</u>	<u>\$ 58,614,000</u>	<u>\$ (25,606,894)</u>	<u>\$ 58,614,000</u>

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 8 – NOTES PAYABLE (CONTINUED)**

	Balance 12/31/22	Additions	Reductions	Balance 12/31/23
(21) Salt Creek Capital	9,014,433	-	(9,014,433)	-
First Financial Bank	13,057,329	-	(13,057,329)	-
Stellar Bank	7,000,000	-	(7,000,000)	-
FFB Line of Credit	-	2,442,255	-	2,442,255
FFB Loan 5 Months	-	11,694,493	(11,694,493)	-
FFB Loan 11 Months	-	17,353,948	(9,610,342)	7,743,606
FFB Loan	-	15,421,033	-	15,421,033
	<u>\$ 29,071,762</u>	<u>\$ 46,911,729</u>	<u>\$ (50,376,597)</u>	<u>\$ 25,606,894</u>
Total Notes Payable	<u>\$ 29,071,762</u>	<u>\$ 46,911,729</u>	<u>\$ (50,376,597)</u>	<u>\$ 25,606,894</u>

The terms and due dates of the District’s notes payable at December 31, 2024 and 2023 follow:

- (21) Salt Creek Capital – 16.8% note payable with all outstanding principal and interest due April 30, 2023 and is collateralized by cash and investments.
- First Financial Bank – 16.8% note payable with all outstanding principal and interest due October 30, 2023 and is collateralized by cash and investments.
- Stellar Bank – 2.55% note payable with all outstanding principal and interest due May 23, 2023 and is collateralized by a certificate of deposit.
- FFB Line of Credit – 5.6% note payable with all outstanding principal and interest due May 1, 2024 and is collateralized by cash and investments.
- FFB Loan 5 Months – 8.25% note payable with all outstanding principal and interest due November 1, 2023 and is collateralized by cash and investments.
- FFB Loan 11 Months – 8.25% note payable with all outstanding principal and interest due May 1, 2024 and is collateralized by cash and investments.
- FFB Loan – 8.25% note payable with all outstanding principal and interest due November 1, 2024 and is collateralized by cash and investments.
- FFB Loan 25 – 8.0% note payable with all outstanding principal and interest due May 25, 2025 and is collateralized by cash and investments.
- FFB Loan 26 – 7.25% note payable with all outstanding principal and interest due November 25, 2025 and is collateralized by cash and investments.

In 2024 and 2023, total interest incurred was \$2,458,509 and \$3,401,199, respectively, all of which was charged to operations.

All of the District’s notes payable are all short-term notes payable and represent direct borrowings from financial institutions. The District had no direct placement debt outstanding as of December 31, 2024 and 2023. The District has no unused lines of credit at December 31, 2024 and 2023.

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 9 – INDIGENT CARE**

The District provides indigent care to residents of District through its indigent care program. Residents may apply directly to the District for indigent health care assistance. Approved services are paid by the District directly to outside healthcare providers based on the results of patient applications. The District does not operate its own hospital and, therefore, does not provide charity care in the form of foregone charges on District patient accounts.

In addition, the District is part of an indigent care assistance agreement with Winnie Community Hospital (the “Hospital”). This agreement is intended to reimburse the Hospital for services provided to residents of the District.

For the years ended December 31, 2024 and 2023, the District incurred indigent care expenses of \$1,305,814 and \$2,625,275, respectively. These amounts are recorded as operating expenses in the accompanying financial statements.

**NOTE 10 – NURSING HOME OPERATIONS**

During 2014, the District entered into operations transfer agreements with thirteen nursing facilities which transferred the operations and certain operating assets of each facility. In fiscal years 2017 and 2018, the District entered into operations transfer agreements with a total of eleven additional nursing homes. In fiscal year 2020, the District entered into an operation transfer agreement with an additional nursing home. In 2021, the District entered into operations transfer agreements with an additional fourteen nursing homes. In 2022, the District entered into an operation transfer agreement with an additional nursing home. In 2023, the District entered into operations transfer agreements with an additional ten nursing homes. Additionally, in 2023, the District entered into an operations transfer agreement, which resulted in one nursing home leaving the District. In 2024, the District entered into operations transfer agreements with an additional twenty-one nursing homes. The District has also received an assignment or transfer of the Medicare and Medicaid Provider agreements for each facility.

In conjunction with the operations transfer agreements, the District has also entered into a lease agreement with each facility for the lease of real property, fixed assets, and associated equipment that encompass the nursing home’s physical properties. The lease agreements are cancellable rental arrangements for facilities/equipment that automatically renew annually but may be terminated by either party without cause with 35 days’ written notice. Because the maximum enforceable term of these agreements does not exceed twelve months, the District accounts for them as short-term leases under GASB Statement No. 87. Accordingly, the District recognizes lease expense as payments are made and does not record right-to-use assets or lease liabilities for these agreements. The total short-term rental expense paid to all facilities was \$52,237,655 and \$43,434,844 for the year ended December 31, 2024 and 2023, respectively.

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 10 – NURSING HOME OPERATIONS (CONTINUED)**

At the time of each transfer agreement, the District executed a management agreement with LTC Group, LLC to provide certain operational and clinical review services for all of the nursing home facilities on behalf of the Hospital District. The initial term of these agreements are through August 31, 2016, unless sooner terminated. These agreements shall be automatically renewed for successive two-year periods unless either party cancels in writing on or before 90 days prior to the end of the current term. As of December 31, 2024 and 2023, no termination event has occurred.

Under these agreements, the District has paid total service fees of \$32,424,190 and \$22,549,402, respectively, which is recorded in other operating expenses on the statements of revenues, expenses, and changes in net position for the year ended December 31, 2024 and 2023.

In connection with these agreements, the District has recorded all patient revenue and the related accounts receivable. The District recorded \$589,073,291 and \$404,139,295 in net patient related revenue for the years ended December 31, 2024 and 2023, respectively. These revenues are recorded as Net Nursing Home Patient Service Revenues on the statements of revenues, expenses, and changes in net position.

Additionally, the District has entered into separate management agreements whereby each facility is managed by a third-party in which the District pays monthly fees for management services and operating expenses including quality incentives, if any, based upon the terms of each individual agreement. These fees total \$538,046,722 and \$367,380,339 for the years ended December 31, 2024 and 2023, respectively. These expenses are recorded as Nursing Home expenses on the statements of revenues, expenses, and changes in net position. Amounts due and unpaid as of December 31, 2024 and 2023 for these expenses are \$115,425,113 and \$93,013,549, respectively.

**Quality Incentive Payment Program (QIPP)** – During its 84th session, the Texas Legislature directed HHSC to transition MPAP to a new Quality Incentive Payment Program (QIPP) effective September 1, 2016, and HHSC will implement QIPP on September 1, 2017. QIPP will require participating facilities meeting certain qualifying criteria to submit projects to HHSC requesting the additional funding as supported in the individual projects. These projects are expected to improve quality and innovation in the provision of nursing facility services, including but not limited to payment incentives to establish culture change, small house models, staffing enhancements and outcome measures to improve the quality of care and life for nursing facility residents. A portion of the additional funding will be funded through intergovernmental transfer (IGT) payments from each participating provider. QIPP IGTs for a specific capitation rate period will be due to HHSC approximately six months prior to the beginning of the rate period. The District has recorded a QIPP receivable of \$40,962,227 and \$15,037,104 at December 31, 2024 and 2023, respectively.

**WINNIE-STOWELL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

The District is periodically subject to legal proceedings, claims, and regulatory reviews that arise in the ordinary course of operations, including audits of cost reports and other settlements related to Medicaid and Medicare programs. These matters are subject to the usual uncertainties inherent in such proceedings, and it is not possible to predict their ultimate outcomes with certainty.

In accordance with GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance, the District records a liability for loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. As of December 31, 2024 and 2023, no such liabilities were recorded. Management is not aware of any matters that are expected to result in a material adverse effect on the District's financial position, results of operations, or cash flows.

**NOTE 12 – MALPRACTICE CLAIMS**

The District is a unit of government covered by the Texas Tort Claims Acts which, by statute, limits its liability to \$100,000 per person and \$300,000 for each single occurrence. These limits coincide with the malpractice insurance coverage maintained by the District, which is purchased under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claims costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the District's claims experience, no such accrual has been made.

**NOTE 13 – SUBSEQUENT EVENTS**

The date to which events occurring after December 31, 2024, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosure is October 2, 2025, which is the date on which the financial statements were available to be issued. No subsequent events requiring adjustment to or disclosure in the financial statements were identified.



## TABLE OF CONTENTS

### *Winnie-Stowell Hospital District*

*For the Year Ended  
December 31, 2024*

Management Letter .....	Page 1
Governance Letter .....	Page 3

**DRAFT**



Management and the Board of Directors  
Winnie-Stowell Hospital District  
Winnie, Texas

In planning and performing our audit of the financial statements of Winnie-Stowell Hospital District as of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered Winnie-Stowell Hospital District's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in internal control to be a material weakness:

#### **Accounting for Nursing Home Activity on the District's Financial Statements**

The District contracts with LTC Group, LLC ("LTC") to provide operational and clinical review services, including financial reporting for all nursing home facilities operated by the District. During the audit, we identified calculation and data entry errors in the financial information provided by LTC. These errors resulted in a material variance requiring audit adjustments, decreasing reported revenues by \$4,880,563 and expenses by \$1,276,599. We recommend that the District implement procedures to review and validate the nursing home financial information received from LTC to ensure accuracy and completeness before year-end closing.

This communication is intended solely for the information and use of management, Board of Directors, and others within Winnie-Stowell Hospital District, and is not intended to be, and should not be, used by anyone other than these specified parties.

D & Co., L.L.P.  
Lubbock, Texas  
October 2, 2025

DRAFT



October 2, 2025

Board of Directors  
Winnie-Stowell Hospital District  
Winnie, Texas

We have audited the financial statements of Winnie-Stowell Hospital District for the year ended December 31, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated February 25, 2025. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the District changed accounting policies by adopting Governmental Accounting Standards Board Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62* and Governmental Accounting Standards Board Statement No. 101, *Compensated Absences* in 2024. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimates for the Medicaid Supplemental Payments to be received after year end is based on information provided by the State at such time that information becomes available. The estimated program payments include those related to the Quality Incentive Payment Program (QIPP). We evaluated the key factors and assumptions used to develop the estimated payments in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following significant misstatement detected as a result of audit procedures were corrected by management:

- Nuring Home Resident Revenus and Operating Expenses – Decreased net position by \$3,603,964.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Managements Representations*

We have requested certain representations from management that are included in the management representation letter dated October 2, 2025.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the board of directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

D & Co., L.L.P.  
Lubbock, Texas  
October 2, 2025

DRAFT

# WINNIE-STOWELL HOSPITAL DISTRICT

2024 AUDIT RESULTS

OCTOBER 2, 2025

→ & CO.

CERTIFIED PUBLIC ACCOUNTANTS

→ DISCOVERY

ANALYSTS & CONSULTANTS

Tommy L. Davis, CPA  
[tommyd@daacg.com](mailto:tommyd@daacg.com)

# Agenda

- Summarized Financial Results
  - Unmodified Opinion
- Management Letter
- Governance Letter



# SUMMARIZED FINANCIAL RESULTS

# Summarized Financial Results

## Balance Sheets - Assets

	2024	2023	\$	%
Cash and Cash Equivalents	\$ 33,778,730	\$ 22,101,569	\$ 11,677,161	52.8%
Short Term Investments	-	8,200,000	(8,200,000)	-100.0%
Nursing Home Patient Accounts Receivable	88,339,642	72,875,433	15,464,209	21.2%
Nursing Home Supplemental Payment Receivable	40,962,227	15,037,104	25,925,123	172.4%
Prepaid and Other Current Assets	41,156,023	24,056,824	17,099,199	71.1%
Capital Assets, Net	3,883,789	2,065,752	1,818,037	88.0%
<b>Total Assets</b>	<b>\$ 208,120,411</b>	<b>\$ 144,336,682</b>	<b>\$ 63,783,729</b>	<b>44.2%</b>

## Balance Sheets - Liabilities, Deferred Inflows of Resources, and Net Position

	2024	2023	\$	%
Accounts Payable	115,425,113	93,013,549	22,411,564	24.1%
Other Accrued Liabilities	9,117	13,684	(4,567)	-33.4%
Notes Payable	58,614,000	25,606,894	33,007,106	128.9%
<b>Total Liabilities</b>	<b>174,048,230</b>	<b>118,634,127</b>	<b>55,414,103</b>	<b>46.7%</b>
Invested in Capital Assets Net of Related Debt	3,883,789	2,065,752	1,818,037	88.0%
Unrestricted	30,188,392	23,636,803	6,551,589	27.7%
<b>Total Net Position</b>	<b>34,072,181</b>	<b>25,702,555</b>	<b>8,369,626</b>	<b>32.6%</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$ 208,120,411</b>	<b>\$ 144,336,682</b>	<b>\$ 63,783,729</b>	<b>44.2%</b>

# Summarized Financial Results

## Statements of Operations (in thousands)

	2023	2022	\$	%
Net Patient Service Revenue	\$ 589,073,291	\$ 404,139,295	\$ 184,933,996	45.8%
Other Revenue	60,573	1,682,827	(1,622,254)	-96.4%
<b>Total Revenue</b>	<b>589,133,864</b>	<b>405,822,122</b>	<b>183,311,742</b>	<b>45.2%</b>
Indigent Care Expenses	1,305,814	2,625,275	(1,319,461)	-50.3%
Nursing Home Expenses	538,046,722	367,380,339	170,666,383	46.5%
Legal and Consulting Fees	5,363,574	3,479,022	1,884,552	54.2%
Other Operating Expenses	35,404,808	26,029,479	9,375,329	36.0%
<b>Total Expenses</b>	<b>580,120,918</b>	<b>399,514,115</b>	<b>180,606,803</b>	<b>45.2%</b>
<b>Operating Income (Loss)</b>	<b>9,012,946</b>	<b>6,308,007</b>	<b>2,704,939</b>	<b>42.9%</b>
Sales Tax Revenue	905,088	945,549	(40,461)	-4.3%
Investment Income	910,101	328,761	581,340	176.8%
Interest Expense	(2,458,509)	(3,401,199)	942,690	-27.7%
<b>Change in Unrestricted Net Position</b>	<b>\$ 8,369,626</b>	<b>\$ 4,181,118</b>	<b>\$ 942,690</b>	<b>22.5%</b>

## Statements of Cash Flows (in thousands)

	2023	2022	\$	%
Net Cash Provided by (Used in) Operating Activities	(26,993,867)	5,245,405	(32,239,272)	-614.6%
Net Cash Provided by (Used in) Investing Activities	9,110,101	(851,817)	9,961,918	-1169.5%
Net Cash Used in Capital and Related Financing Activities	(1,855,620)	(643,982)	(1,211,638)	188.1%
Net Cash Provided by (Used in) Noncapital Financing Activities	31,416,547	(5,941,233)	37,357,780	-628.8%
<b>Change in Cash Flow</b>	<b>\$ 11,677,161</b>	<b>\$ (2,191,627)</b>	<b>\$ 13,868,788</b>	<b>-632.8%</b>



# MANAGEMENT LETTER

# Management Letter

We are required to inform the board and management of material weaknesses and significant deficiencies.

## Material Weakness

- Accounting for Nursing Home Activity on the District's Financial Statements



# GOVERNANCE LETTER

# Governance Letter

- Professional standards require that we provide you with information related to our audit:
  - Our responsibility under audit standards
  - Planned Scope and Timing
  - Significant Audit Findings:
    - Difficulties, if any, Encountered in Performing Audit
      - None to Report
    - Corrected and Uncorrected Misstatements
      - Nursing Home Resident Revenues and Operating Expenses – Decreased net position by \$3,603,964
    - Disagreements with Management, if any
      - None to Report
    - Management Representations



CERTIFIED PUBLIC ACCOUNTANTS



ANALYSTS & CONSULTANTS

# Questions?

----- Dallas -----

Phone

 972-312-9102

Fax

 469-277-2797

Location

 101 W Renner, Suite  
475, Richardson, TX 75082

----- Lubbock -----

Phone

 806-791-1591

Fax

 806-791-3974

Location

 1500 Broadway, Suite  
1000 Lubbock, TX 79401

----- Waco -----

Phone

 254-757-2448

Fax

 254-255-4474

Location

 400 Austin, Suite 1001,  
Waco, TX 76701

----- Fort Worth -----

Phone

 806-791-1591

Fax

 806-791-3974

Location

 2821 W Seventh St.,  
Suite 270, Fort Worth, TX  
76107

# **EXHIBIT “B”**



October 2, 2025

Board of Directors and Management  
Winnie-Stowell Hospital District  
Winnie, Texas

We are pleased to confirm our understanding of the services we are to provide for Winnie-Stowell Hospital District (the “District”) for the year ended December 31, 2025.

### **Audit Scope and Objectives**

We will audit the financial statements of the District, which comprise the statement of net position as of December 31, 2025, the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and disclosures. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management’s discussion and analysis (MD&A), to supplement the District’s basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the District’s RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient, appropriate evidence to express an opinion or provide any assurance. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

#### 1) Management’s Discussion and Analysis

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor’s report that includes our opinions about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP; and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

### **Auditor’s Responsibilities for the Audit of the Financial Statements**

We will conduct our audit in accordance with GAAS and will include tests of your accounting records and other procedures we consider necessary to enable us to express such opinions. As part of an audit in

accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the District or to acts by management or employees acting on behalf of the District.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We may also request written representations from your attorneys as part of the engagement and they may bill you for responding to this inquiry.

### **Audit Procedures – Internal Control**

We will obtain an understanding of the District and its environment, including the system of internal control, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.

An audit is not designed to provide assurance on internal control or identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance, internal control related matters that are required to be communicated under AICPA professional standards.

### **Audit Procedures – Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

The auditors' procedures do not include testing compliance with laws and regulations in any jurisdiction related to Medicare and Medicaid antifraud and abuse. It is the responsibility of management of the District, with the oversight of those charged with governance, to ensure that the District's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in the District's financial statements. Therefore, management's responsibilities for compliance with laws and regulations applicable to its operations include, but are not limited to, those related Medicare and Medicaid antifraud and abuse statutes.

### **Responsibilities of Management for the Financial Statements**

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America with the oversight of those charged with governance.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us; for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers); and for the evaluation of whether there are any conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for the 12 months after the financial statement date or shortly thereafter (for example, within an additional three months if currently known). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the District from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the District involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the District received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the District complies with applicable laws and regulations.

## **Other Services**

We will also assist in preparing the financial statements and related notes of the District in conformity with accounting principles generally accepted in the United States of America based on information provided by you.

We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities for the financial statement preparation services and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

## **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

Steven Thummel, CPA is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. We expect to begin our audit when the trial balance and related schedules are available for examination and we anticipate issuing our reports in advance of the August 2026 Board meeting, provided that all information is received on a timely basis.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, not including out-of-pocket costs, will not exceed \$33,000, with the exception of any additional procedures required to perform the audit. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Billings are rendered monthly so that you may readily relate our charges to the work performed. Each invoice is payable on receipt. Past due invoices must be current before an audit report can be rendered due to possible independence conflicts. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

**Reporting**

We will issue written reports upon completion of our audit of the District’s financial statements. Our reports will be addressed to the Board of Directors and management of the District. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor’s report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

We appreciate the opportunity to be of service to Winnie-Stowell Hospital District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign a copy and return it to us.

Very truly yours,



Steven Thummel, CPA  
Partner  
D & Co., L.L.P.

**RESPONSE:**

This letter correctly sets forth the understanding of Winnie-Stowell Hospital District.

Management signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Governance signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

# **EXHIBIT “C”**

## Hubert Oxford IV

---

**From:** Karen Horn <khorn@ricelandhealthcare.com>  
**Sent:** Wednesday, October 1, 2025 9:29 AM  
**To:** Hubert Oxford IV; mo@starcoimpex.com  
**Cc:** Victoria Carlo  
**Subject:** Re: ATLAS Year 1 - Update and Upcoming IGT  
**Attachments:** SFY 2025 Round 3 ATLAS Payment and IGT Summary 9.30.2025.xlsx

**Importance:** High

I've attached the updated file I received from TORCH yesterday. The IGT amount did not change. The IGT will be for \$27,786.01 with \$57,902.00 coming back to the hospital.

Per previous emails in this thread. IGT must be entered into TexNet tomorrow, October 2<sup>nd</sup> with a settlement date of Friday, October 3<sup>rd</sup>.

Instructions are below. There is no form that must accompany the trace sheet when submitted.

The SDA for the IGT should be listed as Jefferson.

Here is the timeline for the IGT:

The following are dates to remember, included on the calendar:

- **Oct. 2, 2025** Last day to schedule transfer in TexNet
- **Oct. 3, 2025** IGT settlement
- **Oct. 24, 2025** Payments expected to Managed Care Organizations

This settlement date is non-negotiable.

The funds need to be placed in the "ATLAS" Bucket.

Funds should be transferred through TexNet using the [TexNet instructions](#). After transferring funds, email a screenshot or PDF of the confirmation or trace sheet to the [Provider Finance Payments ATLAS Team](#).

**It is important to designate which SDA the IGT is intended to support.**

Email any questions regarding the calculation in general to the [Provider Finance Hospital Services Team](#).

Karen Horn

Financial Analyst

Riceland Medical Center

*(formerly Winnie Community Hospital)*

225-267-6966 Office

225-715-9840 Cell

---

**From:** Karen Horn <khorn@ricelandhealthcare.com>

**Sent:** Thursday, September 25, 2025 4:48 PM

**To:** Hubert Oxford IV <hoxfordiv@benoxford.com>; mo@starcoimpex.com <mo@starcoimpex.com>

**Cc:** Victoria Carlo <victoria@wshd-tx.com>

**Subject:** Re: ATLAS Year 1 - Update and Upcoming IGT

I just spoke to Paul Aslin at TORCH and to Caroline Simpson at AHCV. Both are frustrated of the lack of communication from HHSC and the short notices for IGTs.

The amount given below of \$27,786.01 is not final per Paul. TORCH is in the process of reevaluating the numbers and won't have the final out until Monday. His suggestion was to get an approval of up to \$30,000 from the board although he suspects it will come in below the estimated \$27,786.

Here is the timeline for the IGT:

The following are dates to remember, included on the calendar:

- **Oct. 2, 2025** Last day to schedule transfer in TexNet
- **Oct. 3, 2025** IGT settlement
- **Oct. 24, 2025** Payments expected to Managed Care Organizations

This settlement date is non-negotiable.

The funds need to be placed in the "ATLIS" Bucket.

Funds should be transferred through TexNet using the [TexNet instructions](#). After transferring funds, email a screenshot or PDF of the confirmation or trace sheet to the [Provider Finance Payments ATLIS Team](#).

**It is important to designate which SDA the IGT is intended to support.**

Email any questions regarding the calculation in general to the [Provider Finance Hospital Services Team](#).

Karen Horn

Financial Analyst

Riceland Medical Center

*(formerly Winnie Community Hospital)*

225-267-6966 Office

225-715-9840 Cell

---

**From:** Karen Horn <khorn@ricelandhealthcare.com>

**Sent:** Thursday, September 25, 2025 4:14 PM

**To:** Hubert Oxford IV <hoxfordiv@benoxford.com>; mo@starcoimpex.com <mo@starcoimpex.com>  
**Cc:** Victoria Carlo <victoria@wshd-tx.com>  
**Subject:** Re: ATLAS Year 1 - Update and Upcoming IGT

Hubert,

If you recall, we expected the July IGT for the ATLAS program to be around \$85K, per this email thread but only ended up being \$44,271.

That is due to the fact that they withheld funding for a third round.

Unfortunately, I just got wind of the 3rd round of funding today in the two emails copied below. I've attached the file that was sent with the 2<sup>nd</sup> email, that shows an IGT of \$27,786.01. I do not know the exact settlement date but based on the 2<sup>nd</sup> email I would assume it is due EARLY NEXT WEEK!

FY25 ATLAS Facility Allocation			
SDA	TPI	Hospital	Government
Jefferson	148698701	WINNIE COMMUNITY HOSPITAL LLC	Public

I do not know if this is the final amount. I have several phone calls and emails out trying to get answers, but no responses yet.

I do apologize for the late notice. I've been searching the ATLAS website for information on this round and can't find any. Is there any way to get a special meeting called to get this approved?

PA

Paul Aslin <paslin@torchnet.org>

To: Adam Apolinar <a.apolinar@umhtx.org>; Adam Willmann <AWillmann@gwhf.org>; apilkington@sen

Cc: Terry Scoggin <tscoggin@torchnet.org>; John Henderson <jhenderson@torchnet.org>; Bobby Sande

CAUTION: This email originated from outside of the Riceland Healthcare organization.

Care Advance Hospitals,

1. IGT for Round 3 - We don't yet have the individual IGT amounts for your facilities but expect to have t Round 1 decided not to pay in Round 2. We have to reconcile this for the IGT for Round 3 so you don' Just takes a little work and time so please be patient and we will get that file out to you.
2. Some of you have received an email from Molina asking you to complete a "New Vendor Setup Form financial intermediary for Molina any longer, so the payments will come directly from Molina after th
3. There are some changes for Year 2 in the funding models, and there have been several models prop decrease in individual funding, but please know that Terry and Bobby are fighting to keep your levels place. We will let you know once that is finalized.



Caroline Simpson <caroline@ahcv.com>

To: rcampbell@libertydaytonrmc.com; jeff.kaller@newlighthhealthcare.com; charice.finch@newlighthhealthc

Cc: Kimberly Lam <Kimberly@ahcv.com>; Justin Flores <justin@ahcv.com>; Colt Sullivan <colt@ahcv.com

 Some content in this message has been blocked because the sender isn't in your Safe senders list.



CAUTION: This email originated from outside of the Riceland Healthcare organization.

Dear All,

Everyone should have received the FY25 ATLAS Third file from HHSC. Because these IGTs are collected at the SDA

The attached [Allocation Summary](#) includes a facility breakdown of all funding needs and expected funding entities. **Please confirm the amounts and expected funding sources within the yellow 'Alloc by Hosp' tab by the deadline.**

**Private hospitals: Please confirm your facility's FY25 ATLAS Final non-federal share allocation and funding sources by the deadline.** If we do not hear from you, we will assume you're in agreement.

**Public hospitals: Please provide a copy of the trace sheet sent to HHSC by Wednesday, October 1<sup>st</sup> to those companies.**

If you have any questions related to the allocation or the file, please reach out to the AHCV Team.

Regards,

**Caroline Simpson | Senior Financial Analyst**  
Adelanto Healthcare Ventures, L.L.C.

Karen Horn

Financial Analyst

Riceland Medical Center

*(formerly Winnie Community Hospital)*

225-267-6966 Office

225-715-9840 Cell

---

**From:** Hubert Oxford IV <hoxfordiv@benoxford.com>  
**Sent:** Wednesday, May 28, 2025 9:16 AM  
**To:** Karen Horn <khorn@ricelandhealthcare.com>; mo@starcoimpex.com <mo@starcoimpex.com>  
**Cc:** Victoria Carlo <victoria@wshd-tx.com>  
**Subject:** RE: ATLAS Year 1 - Update and Upcoming IGT

CAUTION: This email originated from outside of the Riceland Healthcare organization.  
Karen,

Thank you for the heads up and congratulations. See the attached Agenda for next month. I believe this is what you all need. Please confirm.

Sincerely,



**Hubert Oxford, IV**  
Partner  
3535 Calder Ave, Suite 300  
Beaumont, Texas 77706  
(409) 833-9182 (O) (409) 951-4721 (D)  
(409) 351-0000 (C)



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---

**From:** Karen Horn <khorn@ricelandhealthcare.com>  
**Sent:** Wednesday, May 28, 2025 9:10 AM  
**To:** mo@starcoimpex.com; Hubert Oxford IV <hoxfordiv@benoxford.com>  
**Subject:** ATLAS Year 1 - Update and Upcoming IGT  
**Importance:** High

Good news! We've received the full amount of the first payment for year 1. Per the HHSC timeline, we should receive notification on the 2<sup>nd</sup> IGT on June 20th, which will have a IGT settlement date of July 7th. Hopefully we'll get some updated correspondence between now and then on the amount, but per the first-round document, the estimated IGT is \$85,535.15. I'm sure you already have it on the calendar, Hubert, but wanted to give you a heads up.

Karen Horn  
Financial Analyst  
Riceland Medical Center  
(formerly Winnie Community Hospital)  
225-267-6966 Office  
225-715-9840 Cell



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**NOTICE OF CONFIDENTIALITY**

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# **EXHIBIT “D”**

## Hubert Oxford IV

---

**Subject:** RE: FW: Winnie Community Hospital Case No 12-46841 NDTX Ft. Worth Division

----- Forwarded message -----

**From:** J. Mark Chevallier <[mchevallier@romclaw.com](mailto:mchevallier@romclaw.com)>

**Date:** Mon, Sep 29, 2025, 10:55 AM

**Subject:** FW: Winnie Community Hospital Case No 12-46841 NDTX Ft. Worth Division

**To:** Mo Danishmund <[mo@starcoimpex.com](mailto:mo@starcoimpex.com)>

See report below from David Adams.

---

**From:** Adams, David G. (TAX) <[David.G.Adams@usdoj.gov](mailto:David.G.Adams@usdoj.gov)>

**Sent:** Monday, September 29, 2025 10:43 AM

**To:** J. Mark Chevallier <[mchevallier@romclaw.com](mailto:mchevallier@romclaw.com)>

**Subject:** RE: Winnie Community Hospital Case No 12-46841 NDTX Ft. Worth Division

Mark-

I sent the notices you sent to me both Wednesday and Thursday to IRS to see what is going on and try to see where the levy amounts are being posted.

I have also followed up this morning and today IRS of your phone message.

I'm trying to see if I can get a TOP contact to try to reach out to and see if I can suspend what is happening.

David Adams

U.S. Department of Justice

[1700 Pacific Ave., Ste. 3700](#)

[Dallas, Texas 75201](#)

Direct: 214.880.9737

Main: 214.880.9721

Fax: 214.880.9742

---

**From:** J. Mark Chevallier <[mchevallier@romclaw.com](mailto:mchevallier@romclaw.com)>  
**Sent:** Friday, September 26, 2025 10:51 AM  
**To:** Adams, David G. (TAX) <[David.G.Adams@usdoj.gov](mailto:David.G.Adams@usdoj.gov)>  
**Cc:** Mo Danishmund <[mo@starcoimpex.com](mailto:mo@starcoimpex.com)>  
**Subject:** RE: Winnie Community Hospital Case No 12-46841 NDTX Ft. Worth Division

David:

Just checking to see if you have received any indication from your client that this issue is being addressed.

Thanks

Mark

---

**From:** Adams, David G. (TAX) <[David.G.Adams@usdoj.gov](mailto:David.G.Adams@usdoj.gov)>  
**Sent:** Thursday, September 25, 2025 11:40 AM  
**To:** J. Mark Chevallier <[mchevallier@romclaw.com](mailto:mchevallier@romclaw.com)>  
**Cc:** Mo Danishmund <[mo@starcoimpex.com](mailto:mo@starcoimpex.com)>  
**Subject:** RE: Winnie Community Hospital Case No 12-46841 NDTX Ft. Worth Division

Mark-

I sent the documents you emailed me yesterday to the IRS Insolvency Group Manager right after we talked.

I will give her a call shortly and let her know your updated information.

**Please Note Our New Address**

David Adams

U.S. Department of Justice

[1700 Pacific Ave., Ste. 3700](#)

[Dallas, Texas 75201](#)

Direct: 214.880.9737

Main: 214.880.9721

Fax: 214.880.9742

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**From:** J. Mark Chevallier <[mchevallier@romclaw.com](mailto:mchevallier@romclaw.com)>

**Sent:** Thursday, September 25, 2025 9:12 AM

**To:** Adams, David G. (TAX) <[David.G.Adams@usdoj.gov](mailto:David.G.Adams@usdoj.gov)>

**Cc:** Mo Danishmund <[mo@starcoimpex.com](mailto:mo@starcoimpex.com)>

**Subject:** RE: Winnie Community Hospital Case No 12-46841 NDTX Ft. Worth Division

David:

Further to our conversation yesterday, I confirmed that there are several additional Notices of Levy that WCH has received from the IRS pursuant to which a significant amount of WCH's Medicaid and Medicare reimbursements have been recouped and applied to the discharged tax debt. They are all attached. In total, the amount recouped per all the Levys total over \$200,000.

Thanks again for your assistance in getting this matter in front of the right people at your client to get this issue corrected.

Regards,

Mark

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**From:** J. Mark Chevallier  
**Sent:** Wednesday, September 24, 2025 4:24 PM  
**To:** '[david.g.adams@usdoj.gov](mailto:david.g.adams@usdoj.gov)' <[david.g.adams@usdoj.gov](mailto:david.g.adams@usdoj.gov)>  
**Cc:** 'Mo Danishmund' <[mo@starcoimpex.com](mailto:mo@starcoimpex.com)>  
**Subject:** RE: Winnie Community Hospital Case No 12-46841 NDTX Ft. Worth Division

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**From:** J. Mark Chevallier  
**Sent:** Wednesday, September 24, 2025 3:50 PM  
**To:** '[david.g.adams@usdoj.gov](mailto:david.g.adams@usdoj.gov)' <[david.g.adams@usdoj.gov](mailto:david.g.adams@usdoj.gov)>  
**Cc:** Mo Danishmund <[mo@starcoimpex.com](mailto:mo@starcoimpex.com)>  
**Subject:** Winnie Community Hospital Case No 12-46841 NDTX Ft. Worth Division  
**Importance:** High

David:

You represented the IRS in the above case. Back in 2014 a Plan was confirmed that addressed a substantial IRS claim relating to unpaid 940 and 941 taxes. Per the Plan, a copy of which is attached, the IRS received certain payments that were to satisfy these claims. Importantly, the Plan barred the IRS

from pursuing collection of these taxes from the Reorganized Debtor. The Plan was confirmed. See Confirmation Order attached. However, apparently the discharge of these taxes has somehow gotten lost in the shuffle because the IRS has started collecting these taxes from the Reorganized Debtor through a TOP Levy on their Medicare and Medicaid reimbursements. See notice attached. I represent the Reorganized Debtor.

Such a Levy on a small rural hospital's Medicare and Medicaid Reimbursements are a major issue, even potentially an existential issue. I need your help to make sure that this confusion gets cleared up internally at the IRS and that the Medicare and Medicaid folks know that they are to discontinue diverting these payments owed to WCH in violation of the Plan and Confirmation Order. This was the reason for my call to you a short while ago.

Thanks for you help. I am standing by if we need to discuss this further.

Regards,

Mark

**J. Mark Chevallier**

**Partner**

[901 Main St. Suite 3200](#)

[Dallas, Texas 75202](#)

Direct: (214) 580-2530

Fax: 1-888-467-5979

[mchevallier@romclaw.com](mailto:mchevallier@romclaw.com)

[www.romclaw.com](http://www.romclaw.com)



**WINNIE COMMUNITY HOSPITAL, LLC**

**TIN** 75-2922928

**PER CONVERSATION WITH THE IRS 9/24/2025, BELOW ARE THE  
UNPAID 941 PAYROLL TAX PERIODS CURRENTLY BEING RECOUPED  
FROM OUR MEDICARE PAYMENTS**

<b>YEAR</b>	<b>QUARTER</b>	<b>AMOUNT</b>
2010	1	80,400.81
2010	2	375,828.94
2010	3	40,258.60
2012	3	109,428.24
2012	4	413,541.37
2013	2	7,684.50
2013	3	15,707.42
2013	4	25,353.81
2014	1	11,662.80

SUBTOTAL PRE-PURCHASE 1,079,866.49

2024 4 373.40

THIS IS MOST LIKELY PAYROLL TAXES THAT SHOULD HAVE BEEN PICK UP BY OUR 3RD PARTY P/R COMPANY. WE CAN GET THIS ONE PAID IF MO AGREES.

FROM MFT43 617,172.08 *?(PENALTIES AND INTERST TO DATE)*

**TOTAL DUE PER IRS** **1,697,411.97**

**WINNIE COMMUNITY HOSPITAL, LLC**

**TIN** 75-2922928

**PER CONVERSATION WITH THE IRS 9/24/2025, BELOW ARE THE UNPAID 941 PAYROLL TAX PERIODS CURRENTLY BEING RECOUPED FROM OUR MEDICARE PAYMENTS**

<b>YEAR</b>	<b>QUARTER</b>	<b>AMOUNT</b>
2010	1	80,400.81
2010	2	375,828.94
2010	3	40,258.60
2012	3	109,428.24
2012	4	413,541.37
2013	2	7,684.50
2013	3	15,707.42
2013	4	25,353.81
2014	1	11,662.80
SUBTOTAL PRE-PURCHASE		<u>1,079,866.49</u>
2024	4	373.40
FROM MFT43		617,172.08
<b>TOTAL DUE PER IRS</b>		<u><u>1,697,411.97</u></u>

THIS IS MOST LIKELY PAYROLL TAXES THAT SHOULD HAVE BEEN PICK UP BY OUR 3RD PARTY P/R COMPANY. WE CAN GET THIS ONE PAID IF MO AGREES.

?(PENALTIES AND INTERST TO DATE)

BATCH	PERIOD	DATE	REF#	DESC	MD	POST	RECOUP AMT	DAILY TOTAL	EFT#	EFT DATE	NPI	AMT OF PT PYMTS	NET AMT REC'D	% OF RECOUP
716920	7/2025	07/22/2025		Consolidated by Batch	AR	B	5,812.66		EFT7498308	7/22/2025	1295781227	11,795.49	5,982.83	49%
716921	7/2025	07/22/2025		Consolidated by Batch	AR	B	871.62	6,684.28	475965292	7/22/2025	1710351564	871.62	-	100%
716918	7/2025	07/23/2025		Consolidated by Batch	AR	B	73.97	73.97	320249245	7/23/2025	1376937003	73.97	-	100%
732121	9/2025	09/16/2025		Consolidated by Batch	AR	B	3,246.52		476222972	9/16/2025	1376937003	3,246.52	-	100%
732121	9/2025	09/16/2025		Consolidated by Batch	AR	B	498.25		476222976	9/16/2025	1003690413	498.25	-	100%
732121	9/2025	09/16/2025		Consolidated by Batch	AR	B	1,106.97		476222977	9/16/2025	1316623481	1,106.97	-	100%
732121	9/2025	09/16/2025		Consolidated by Batch	AR	B	303.07		476222978	9/16/2025	1376937003	303.07	-	100%
732121	9/2025	09/16/2025		Consolidated by Batch	AR	B	7,294.50		476222980	9/16/2025	1710351564	7,294.50	-	100%
732121	9/2025	09/16/2025		Consolidated by Batch	AR	B	11,272.42		REMIT03517	9/16/2025	1891820569	11,272.42	-	100%
732121	9/2025	09/16/2025		Consolidated by Batch	AR	B	11,375.12	35,096.85	REMIT04088	9/16/2025	1295781227	11,375.12	-	100%
732140	9/2025	09/17/2025		Consolidated by Batch	AR	B	5,082.85		476229370	9/17/2025	1376937003	5,082.85	-	100%
732140	9/2025	09/17/2025		Consolidated by Batch	AR	B	1,468.84		476229372	9/17/2025	1316623481	1,468.84	-	100%
732140	9/2025	09/17/2025		Consolidated by Batch	AR	B	904.41		476229373	9/17/2025	1871965913	904.41	-	100%
732140	9/2025	09/17/2025		Consolidated by Batch	AR	B	4,439.34		476229375	9/17/2025	1710351564	4,439.34	-	100%
732140	9/2025	09/17/2025		Consolidated by Batch	AR	B	122.56		REMIT03518	9/17/2025	1891820569	122.56	-	100%
732140	9/2025	09/17/2025		Consolidated by Batch	AR	B	21,013.51		REMIT04089	9/17/2025	1295781227	21,013.51	-	100%
732140	9/2025	09/17/2025		Consolidated by Batch	AR	B	235.26	33,266.77	320381251	9/17/2025	1376937003	235.26	-	100%
732918	9/2025	09/19/2025		Consolidated by Batch	AR	B	1,808.60		476242553	9/19/2025	1003690413	1,808.60	-	100%
732918	9/2025	09/19/2025		Consolidated by Batch	AR	B	447.95		476242557	9/19/2025	1003690413	447.95	-	100%
732918	9/2025	09/19/2025		Consolidated by Batch	AR	B	1,893.64		476242558	9/19/2025	1316623481	1,893.64	-	100%
732918	9/2025	09/19/2025		Consolidated by Batch	AR	B	321.25		476242559	9/19/2025	1376937003	321.25	-	100%
732918	9/2025	09/19/2025		Consolidated by Batch	AR	B	3,412.00		476242562	9/19/2025	1710351564	3,412.00	-	100%
732918	9/2025	09/19/2025		Consolidated by Batch	AR	B	1,782.20		REMIT03520	9/19/2025	1891820569	1,782.20	-	100%
732965	9/2025	09/19/2025		Consolidated by Batch	AR	B	16,527.00		REMIT03520	9/19/2025	1891820569	16,527.00	-	100%
732918	9/2025	09/19/2025		Consolidated by Batch	AR	B	26,551.57	52,744.21	REMIT04091	9/19/2025	1295781227	26,551.57	-	100%
733991	9/2025	09/22/2025		Consolidated by Batch	AR	B	157.94		476248680	9/22/2025	1376937003	157.94	-	100%
733991	9/2025	09/22/2025		Consolidated by Batch	AR	B	813.76		476248682	9/22/2025	1003690413	813.76	-	100%
733991	9/2025	09/22/2025		Consolidated by Batch	AR	B	800.14		476248683	9/22/2025	1316623481	800.14	-	100%
733991	9/2025	09/22/2025		Consolidated by Batch	AR	B	277.70		476248684	9/22/2025	1871965913	277.70	-	100%
733991	9/2025	09/22/2025		Consolidated by Batch	AR	B	3,489.82		476248685	9/22/2025	1710351564	3,489.82	-	100%
733991	9/2025	09/22/2025		Consolidated by Batch	AR	B	68,168.75		REMIT04092	9/22/2025	1295781227	68,168.75	44.56	100%
733991	9/2025	09/22/2025		Consolidated by Batch	AR	B	241.82	73,949.93	320390747	9/22/2025	1871965913	241.82	-	100%
734841	9/2025	9/23/2025		Consolidated by Batch	AR	B	1,115.17		476255372	9/23/2025	1376937003	1,115.17	-	100%
734841	9/2025	9/23/2025		Consolidated by Batch	AR	B	397.71		476255376	9/23/2025	1316623481	397.71	-	100%
734841	9/2025	9/23/2025		Consolidated by Batch	AR	B	266.33		476255377	9/23/2025	1376937003	266.33	-	100%
734841	9/2025	9/23/2025		Consolidated by Batch	AR	B	2,995.14		476255378	9/23/2025	1710351564	2,995.14	-	100%
734841	9/2025	9/23/2025		Consolidated by Batch	AR	B	356.44		remit03522	9/23/2025	1891820569	356.44	-	100%
734841	9/2025	9/23/2025		Consolidated by Batch	AR	B	8,600.20		REMIT04093	9/23/2025	1295781227	8,600.20	-	100%
734841	9/2025	9/23/2025		Consolidated by Batch	AR	B	1,030.01	14,761.00	320394070	9/23/2025	1710351564	1,030.01	-	100%
734342	9/2025	9/24/2025		Consolidated by Batch	AR	B	663.29		476262111	9/24/2025	1376937003	663.29	-	100%
734342	9/2025	9/24/2025		Consolidated by Batch	AR	B	2,379.90		476262115	9/24/2025	1316623481	2,379.90	-	100%
734342	9/2025	9/24/2025		Consolidated by Batch	AR	B	89.01		476262116	9/24/2025	1376937003	89.01	-	100%
734342	9/2025	9/24/2025		Consolidated by Batch	AR	B	92.74		476262117	9/24/2025	1871965913	92.74	-	100%
734342	9/2025	9/24/2025		Consolidated by Batch	AR	B	6,886.39		476262118	9/24/2025	1710351564	6,886.39	-	100%
734342	9/2025	9/24/2025		Consolidated by Batch	AR	B	9,522.13		REMIT03523	9/24/2025	1891820569	9,522.13	-	100%
734342	9/2025	9/24/2025		Consolidated by Batch	AR	B	8,877.54	28,511.00	REMIT04094	9/24/2025	1295781227	8,877.54	-	100%
734343	9/2025	9/25/2025		Consolidated by Batch	AR	B	5,767.65		476268633	9/25/2025	1376937003	5,767.65	-	100%
734343	9/2025	9/25/2025		Consolidated by Batch	AR	B	370.18		476268637	9/25/2025	1003690413	370.18	-	100%
734343	9/2025	9/25/2025		Consolidated by Batch	AR	B	4,475.49		476268638	9/25/2025	1316623481	4,475.49	-	100%
734343	9/2025	9/25/2025		Consolidated by Batch	AR	B	562.11		476268639	9/25/2025	1376937003	562.11	-	100%
734343	9/2025	9/25/2025		Consolidated by Batch	AR	B	31,574.47		476268640	9/25/2025	1710351564	31,574.47	-	100%
734343	9/2025	9/25/2025		Consolidated by Batch	AR	B	490.12		REMIT03524	9/25/2025	1891820569	490.12	-	100%
734343	9/2025	9/25/2025		Consolidated by Batch	AR	B	15,479.74		REMIT04095	9/25/2025	1295781227	15,479.74	-	100%
734343	9/2025	9/25/2025		Consolidated by Batch	AR	B	174.87		320400410	9/25/2025	1316623481	174.87	-	100%
734343	9/2025	9/25/2025		Consolidated by Batch	AR	B	313.49	59,208.12	320400411	9/25/2025	1376937003	313.49	-	100%
734867	9/2025	9/26/2025		Consolidated by Batch	AR	B	8,912.55		REMIT04096	9/26/2025	1295781227	8,912.55	1,603.98	85%
734867	9/2025	9/26/2025		Consolidated by Batch	AR	B	3,922.06		320403749	9/26/2025	1710351564	3,922.06	-	100%
734867	9/2025	9/26/2025		Consolidated by Batch	AR	B	4,679.80		476275276	9/26/2025	1376937003	4,679.80	-	100%
734867	9/2025	9/26/2025		Consolidated by Batch	AR	B	620.96		476275280	9/26/2025	1003690413	620.96	-	100%
734867	9/2025	9/26/2025		Consolidated by Batch	AR	B	921.27		476275281	9/26/2025	1316623481	921.27	-	100%
734867	9/2025	9/26/2025		Consolidated by Batch	AR	B	737.55		476275282	9/26/2025	1376937003	737.55	-	100%
734867	9/2025	9/26/2025		Consolidated by Batch	AR	B	3,882.60	23,676.79	476275284	9/26/2025	1710351564	3,882.60	-	100%
735322	9/2025	9/29/2025		Consolidated by Batch	AR	B	16,473.08		476281132	9/29/2025	1376937003	16,473.08	-	100%
735322	9/2025	9/29/2025		Consolidated by Batch	AR	B	3,185.17		476281136	9/29/2025	1316623481	3,185.17	-	100%
735322	9/2025	9/29/2025		Consolidated by Batch	AR	B	136.55		476281137	9/29/2025	1871965913	136.55	-	100%
735322	9/2025	9/29/2025		Consolidated by Batch	AR	B	2,685.91		476281138	9/29/2025	1710351564	2,685.91	-	100%
735322	9/2025	9/29/2025		Consolidated by Batch	AR	B	16,969.68		REMIT00711	9/29/2025	1326175084	16,969.68	-	100%
735322	9/2025	9/29/2025		Consolidated by Batch	AR	B	5,881.26		REMIT03526	9/29/2025	1891820569	5,881.26	-	100%
735322	9/2025	9/29/2025		Consolidated by Batch	AR	B	12,207.90	57,539.55	REMIT04097	9/29/2025	1295781227	12,207.90	-	100%
735836	9/2025	9/30/2025		Consolidated by Batch	AR	B	3,992.13		476287412	9/30/2025	1376937003	3,992.13	-	100%
735836	9/2025	9/30/2025		Consolidated by Batch	AR	B	60.60		476287415	9/30/2025	1003690413	60.60	-	100%
735836	9/2025	9/30/2025		Consolidated by Batch	AR	B	238.47		476287416	9/30/2025	1316623481	238.47	-	100%
735836	9/2025	9/30/2025		Consolidated by Batch	AR	B	115.35		476287417	9/30/2025	1376937003	115.35	-	100%
735836	9/2025	9/30/2025		Consolidated by Batch	AR	B	137.02		476287418	9/30/2025	1871965913	137.02	-	100%
735836	9/2025	9/30/2025		Consolidated by Batch	AR	B	2,457.59		476287420	9/30/2025	1710351564	2,457.59	-	100%
735836	9/2025	9/30/2025		Consolidated by Batch	AR	B	62,961.08		REMIT00712	9/30/2025	1326175084	62,961.08	-	100%
735836	9/2025	9/30/2025		Consolidated by Batch	AR	B	8,911.00		REMIT03527	9/30/2025	1891820569	8,911.00	-	100%
735836	9/2025	9/30/2025		Consolidated by Batch	AR	B	26,047.24	104,920.48	REMIT04098	9/30/2025	1295781227	26,047.24	-	100%

U.S. BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
**ENTERED**  
THE DATE OF ENTRY IS  
ON THE COURT'S DOCKET  
TAYLOR C. MASSAMILLI, CLERK

**MAY 22 2014**



**D. Michael Lynn**  
**U.S. Bankruptcy Judge**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
FORT WORTH DIVISION**

**In re:**

**WINNIE COMMUNITY HOSPITAL, LLC,**

**Debtor.**

§  
§  
§  
§  
§  
§  
§

**Chapter 11 Case**

**CASE NO. 12-46841-DML-11**

**ORDER CONFIRMING SECOND AMENDED  
JOINT CHAPTER 11 PLAN OF REORGANIZATION**

The Court has considered the *Second Amended Joint Chapter 11 Plan of Reorganization*, as modified on May 21, 2014 [**Doc. No. 547**] (as may be further amended, revised or modified, the "**Plan**"),<sup>1</sup> filed by co-proponents Mark E. Andrews, chapter 11 trustee ("**Trustee**") for Debtor Winnie Community Hospital, L.L.C., and Riceland Medical Holding Company, LP f/k/a Starco Management, LP ("**Riceland**" and, collectively with the Trustee, the "**Proponents**"). Based on the

<sup>1</sup> All capitalized terms not defined in this Order shall have the meaning ascribed to them in the Plan.

6/6/14 Effective Date

testimony and proffered evidence presented, the arguments of counsel, and the findings of fact and conclusions of law contained herein, the Court has determined that the Plan should be confirmed.

IT IS HEREBY FOUND AND DETERMINED THAT:

A. Findings and Conclusions. The finding and conclusions set forth herein and in the record of the Confirmation Hearing constitute the Court's findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure as made applicable herein by Bankruptcy Rules 7052 and 9014. To the extent any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

B. Jurisdiction; Venue; Core Proceeding. The Court has jurisdiction over the Debtor's Bankruptcy Case pursuant to 28 U.S.C. §§ 157 and 1334. The Debtor is eligible to be a debtor under section 109 of the Bankruptcy Code. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. Confirmation of the Plan is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(L) over which the Court has exclusive jurisdiction and constitutional authority to enter final orders with respect thereto. The Proponents are the only proponents of the Plan in accordance with section 1121 of the Bankruptcy Code.<sup>2</sup>

C. Background of the Bankruptcy Case. The Bankruptcy Case was commenced on December 17, 2012 (the "Petition Date"), when WCH and its parent Frontier Healthcare Group, LLC each filed a voluntary petition under chapter 11. The Debtor and its co-debtor parent operated as debtors-in-possession until the Trustee was appointed on January 23, 2014. No statutory committee was appointed in either bankruptcy case. The bankruptcy cases of WCH

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<sup>2</sup> Unless otherwise noted, all references to a "section" shall mean a section of the Bankruptcy Code, and all references to a "rule" shall mean the Bankruptcy Rules.

and its parent Frontier Healthcare Group were jointly administered per prior order of this court. However, the joint administration has been terminated by prior order of the Court, effective immediately prior to the entry of this order confirming the Plan.

D. Judicial Notice. The Court takes judicial notice of the docket of the Bankruptcy Case maintained by the Clerk of the Court and/or its duly-appointed agent, including, without limitation, all pleadings, stipulations and other documents filed with, all orders entered by, and all evidence and argument made, proffered or adduced at the hearings held before the Court during the pendency of the Bankruptcy Case.

E. Burden of Proof. The Proponents have the burden of proving the elements of section 1129 of the Bankruptcy Code by a preponderance of the evidence. The Court finds that the Proponents have met each element of such burden.

F. Transmittal and Mailing of Solicitation Materials and Notices. The solicitation materials and notices prescribed in the *Agreed Order (i) Approving the Disclosure Statement; (ii) Establishing Deadlines and Procedures for Submission of Ballots and Objections to Confirmation; and (III) Setting a Date to Consider Confirmation of the Plan* [Doc. No. 498] (the "Scheduling Order") were served in compliance therewith, and such service was adequate and sufficient. Adequate and sufficient notice of the Confirmation Hearing and the other deadlines and matters required to be noticed pursuant to the Scheduling Order and any further order entered by this Court was given in compliance with the Bankruptcy Rules and all applicable orders of this Court, and no other or further notice is or shall be required.

G. Adequacy of Solicitation Procedures. All procedures used to distribute the solicitation materials to the appropriate creditors entitled to vote on the Plan and to tabulate the Ballots returned by Claimants were fair and were conducted in accordance with the applicable

provisions of the Bankruptcy Code, the Bankruptcy Rules, and the Scheduling Order. The Court was presented with no evidence of bad faith or improper solicitation of acceptance or rejection of the Plan. Thus, the Court finds that all votes were solicited and cast in good faith, and only after transmittal of a disclosure statement containing adequate information, and otherwise in compliance with sections 1125 and 1126 of the Bankruptcy Code, Bankruptcy Rules 3017 and 3018, and N.D. Tex. L.B.R. 3018-1.

H. Good Faith Solicitation – 11 U.S.C. § 1125(e). Based on the record before the Court in the Bankruptcy Case, the Proponents, their respective employees, professionals and agents have acted in good faith within the meaning of sections 1125(e) and 1129(a)(3), and in compliance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, and the Scheduling Order in connection with all of their respective activities relating to the solicitation of acceptances of the Plan and their participation in the activities described in section 1125, and entitled to the protections afforded by section 1125(e) of the Bankruptcy Code.

I. Ballot Tabulation. The Voting Deadline for casting Ballots to accept or reject the Plan has passed, and, as required by the Scheduling Order, the Voting Agent, has filed the *Ballot Summary* (as amended, the “Ballot Summary”).

J. Impaired Classes Voting to Accept or Reject the Plan. The Court finds that Classes 1.A, 1.B, 1.E, 1.F, 2 and 3 are impaired under the Plan, and the Court further finds that Classes 1.B, 1.E and 2 voted to accept the Plan. Thus, at least one impaired class of Claims has voted to accept the Plan, without counting insiders. No holders of Claims in Class 1.F returned ballots prior to the Voting Deadline, and the IRS initially cast a rejecting ballot for Class 1.A but subsequently withdrew its rejecting ballot such that no Class 1.A ballot was cast for or against the Plan.

K. Classes Deemed to Have Accepted or Rejected the Plan. Class 3 Interest holders will not receive any property under the Plan and, thus are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. The Proponents were not required to solicit votes of Class 3 Interest holders.

L. Plan Compliance with Bankruptcy Code – 11 U.S.C. § 1129(a)(1). The Plan complies with the applicable provisions of the Bankruptcy Code, thereby satisfying section 1129(a)(1) of the Bankruptcy Code.

M. Compliance with Bankruptcy Code – 11 U.S.C. § 1129(a)(2). Based on the record presented at the Confirmation Hearing, the Court finds that the Proponents have complied with the applicable provisions of the Bankruptcy Code, thereby satisfying section 1129(a)(2).

N. Plan Proposed in Good Faith – 11 U.S.C. § 1129(a)(3). The Proponents have proposed the Plan in good faith and not by any means forbidden by law, thereby satisfying section 1129(a)(3).

O. Payments for Services or Costs and Expenses – 11 U.S.C. § 1129(a)(4). All payments made by the Debtor or to be made by the Liquidating Trustee under the Plan, for services or for costs and expenses incurred prior to the Confirmation Hearing in or in connection with the Bankruptcy Case or in connection with the Plan and incident to the Bankruptcy Case have either been approved or are subject to final approval of the Court pursuant to Article XI of the Plan, thereby satisfying section 1129(a)(4) of the Bankruptcy Code.

P. Directors, Officers and Insiders – 11 U.S.C. § 1129(a)(5). The identity and affiliations of the proponents new management of the Debtor and any compensation of payment to insiders has been disclosed as required by the Scheduling Order.

Q. No Rate Changes – 11 U.S.C. § 1129(a)(6). There is no regulatory commission having jurisdiction after confirmation of the Plan over the rates of the Debtor and no rate change provided for in the Plan requiring approval of any such commission. Therefore, section 1129(a)(6) of the Bankruptcy Code is not applicable.

R. Best Interests of Creditors – 11 U.S.C. § 1129(a)(7). The Court finds based on the evidence presented that all creditors except the IRS and certain undersecured creditors (classified in Class 1.F) will receive through this Plan, on account of their respective Claims, property of a value as of the Effective Date that is not less than the amount that they would receive or retain if the Debtor were liquidated in chapter 7 of the Bankruptcy Code. The Proponents have demonstrated that the Equity Securities Proceeds, including the AR Purchase Price, provide Creditors (including the IRS) with the best prospect for repayment, and that such repayment is greater than what the IRS would receive in a chapter 7 liquidation. Similarly, the Trustee has demonstrated that the undersecured creditors in Class 1.F would be wholly unsecured in a chapter 7 liquidation such that they would receive only the net proceeds from liquidation of estate causes of action, which is the same as what they stand to receive under the Plan. The Court finds such evidence persuasive, credible, and uncontroverted by other credible evidence.

S. Deemed Acceptance or Rejection by Certain Classes – 11 U.S.C. § 1129(a)(8). Class 3 Interests will receive nothing under the plan and, thus, is conclusively presumed to have rejected the Plan under section 1126(g) of the Bankruptcy Code.

T. Treatment of Administrative, Priority, and Tax Claims – U.S.C. § 1129(a)(9). Allowed Administrative Claims have either been paid in full or the Plan provides adequate means for their payment when Allowed. As to Priority Claims, the IRS has consented to the

treatment of its Priority Tax Claim under the Plan and, as to any other Priority Tax Claim, the Plan provides adequate means for their payment in full. Thus, the treatment of Administrative Claims, Priority Tax Claims, and Priority Non-Tax Claims pursuant to Articles II and XI of the Plan satisfies the requirements of sections 1129(a)(9)(A), (B), (C) and (D) of the Bankruptcy Code.

U. Acceptance by Impaired Class – 11 U.S.C. § 1129(a)(10). After considering the Ballot Summary, the Court finds that Classes 1.B, 1.E and 2 are impaired Classes of Claims that voted to accept the Plan in accordance with section 1126(e) of the Bankruptcy Code and do not contain insiders whose votes have been counted. Therefore, the requirement of section 1129(a)(10) of the Bankruptcy Code that at least one Class of Claims against the Debtor that is impaired under the Plan has accepted the Plan, determined without including any acceptance of the Plan by any insider, has been satisfied.

V. Feasibility – 11 U.S.C. § 1129(a)(11). Evidence adduced by the Proponents at the Confirmation Hearing with respect to feasibility is persuasive and credible, and establishes that confirmation of the Plan is not likely to be followed by an additional chapter 7 filing, a motion to convert, or the need for further financial reorganization of the Debtor. The Court finds that the Plan is feasible within the meaning of section 1129(a)(11) of the Bankruptcy Code.

W. Payment of Fees – 11 U.S.C. § 1129(a)(12). All fees payable under 28 U.S.C. § 1930 on or before the Effective Date, as determined by the Court, have been paid or will be paid on the Effective Date, thus satisfying the requirements of section 1129(a)(12) of the Bankruptcy Code.

X. Continuation of Retiree Benefits – 11 U.S.C. § 1129(a)(13). The Debtor does not have any retiree benefits within the meaning of section 1114 of the Bankruptcy Code. Thus, the requirements of section 1129(a)(13) of the Bankruptcy Code are not applicable.

Y. Domestic Support Obligations – 11 U.S.C. § 1129(a)(14). The Debtor is not required by judicial or administrative order, or by statute, to pay a domestic support obligation. Thus, the requirements of section 1129(a)(14) of the Bankruptcy Code are not applicable.

Z. Debtor is Not an Individual – 11 U.S.C. § 1129(a)(15). The Debtor is a limited liability company organized under the law in the State of Texas. As the Debtor is not an individual, the provisions of section 1129(a)(15) of the Bankruptcy Code are not applicable.

AA. Cramdown – 11 U.S.C. § 1129(b). The Proponents have satisfied the requirements for the Plan to be confirmed under section 1129(b) of the Bankruptcy Code. Specifically, all elements of section 1129(a) are satisfied, with the exception of section 1129(a)(8). The Plan does not discriminate unfairly and is fair and equitable with respect to Classes 1.F and 3. With respect to Class 1.F, the treatment provided under the Plan is fair and equitable under section 1129(b)(2)(B) of the Bankruptcy Code because the holders of interests that are junior to such Claims will not receive or retain anything under the Plan on account of such junior interests. Finally, with respect to the Class 3 Interests, the Plan is fair and equitable under section 1129(b)(2)(C) of the Bankruptcy Code because no holder of an interest junior to such Class 3 Interests will receive or retain any property under the Plan on account of such junior interests.

BB. Only One Plan – 11 U.S.C. § 1129(e). The Court has considered and confirmed only one plan proposed by the Trustee and Riceland, as co-proponents. This Confirmation Order

confirms only a single plan. Accordingly, the requirements of section 1129(c) of the Bankruptcy Code have been satisfied.

CC. Principal Purpose – 11 U.S.C. § 1129(d). The principal purpose of the Plan is neither the avoidance of taxes nor the avoidance of Section 5 of the Securities Act of 1933, and no governmental unit has objected to the confirmation of the Plan on any such grounds. The Plan therefore satisfies the requirements of section 1129(d) of the Bankruptcy Code.

DD. Executory Contracts. The Proponents have exercised reasonable business judgment in determining whether to assume or reject, or in the case of the office and copier lease in the name of Frontier Healthcare Group, LLC, to assume and assign, each of their executory contracts and unexpired leases as set forth in Article IX of the Plan, or by separate motion. Each assumption, assumption and assignment, or rejection of an executory contract or unexpired lease, whether effectuated pursuant to a Prior Order or pursuant to the Plan, Plan Supplement or this Confirmation Order, shall be legal, valid and binding upon the Reorganized Debtor and all nondebtor counterparties to such executory contract or unexpired lease, all to the same extent as if such assumption, assumption and assignment, or rejection had been effectuated pursuant to an appropriate authorizing order of the Court entered before the Confirmation Date under section 365 of the Bankruptcy Code. Any assumption and assignment of an executory contract or unexpired lease under the Plan, shall be binding upon the Reorganized Debtor and nondebtor counterparties thereto only upon the occurrence of the Effective Date.

EE. Plan Modifications. After the Voting Deadline but before the Confirmation Hearing, the Proponents filed a modified Plan and Plan Supplements to describe the agreed-upon terms for the sale of the Debtor's Accounts Receivable and modified terms of distribution to the IRS and Coon Bayou Lenders. The Court finds that such revisions do not adversely affect the

rights of any party other than the IRS and the Coon Bayou Lenders who have consented to such modifications. Accordingly, pursuant to Bankruptcy Rule 3019, such revisions do not require additional disclosure under section 1125 of the Bankruptcy Code or resolicitation of acceptances or rejections under section 1126 of the Bankruptcy Code, nor do they require that holders of Claims be afforded an opportunity to change previously cast acceptances or rejections. Such revisions shall be approved pursuant to section 1127 of the Bankruptcy Code, without the need to further solicit any party. The parties are also authorized to make technical, clerical, and non-material modifications and/or clarifications to the Plan without further order of this Court.

FF. Retention of Jurisdiction. The Court properly may retain jurisdiction over the matters set forth in Article XV of the Plan.

GG. Implementation of the Plan. All documents necessary to implement the Plan, including any Plan Schedules and Plan Supplements, have been filed with the Bankruptcy Court and made available for review and objection by Creditors and other interested parties. Such documents have been negotiated and prepared in good faith and shall, upon execution and subject to the Effective Date, be valid, binding, and enforceable on all parties in interest. Such agreements are not in conflict with federal or state law.

HH. Satisfaction of Confirmation Requirements. The Proponents have established by the preponderance of the evidence that the Plan satisfies all requirements for confirmation set forth in section 1129 of the Bankruptcy Code.

II. No Precedential Value. The Court further finds, and the parties hereby stipulate, that based upon the unique facts and circumstances of this case, nothing in this Order, the Disclosure Statement, the Plan or any of the Plan Documents may be cited as precedential in any future matters as to the licensing or permitting of another health care business by any applicable

regulatory authority or the treatment of any other entities' Medicare or Medicaid provider agreements.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:

1. The above-referenced findings of fact and conclusions of law are incorporated by reference as though fully set forth herein.

2. All objections to confirmation not withdrawn or otherwise resolved are hereby expressly overruled.

3. The Plan proposed by the Trustee and Riceland is hereby CONFIRMED in accordance with section 1129 of the Bankruptcy Code, and all terms and conditions set forth in the Plan as modified and/or revised prior to the Confirmation Hearing are APPROVED and binding on all entities (as defined under section 101(15) of the Bankruptcy Code). The Plan shall be effective upon the Effective Date, as defined under the Plan, and upon the satisfaction of all conditions set forth under the Plan. Once all such conditions are met, the Liquidating Trustee shall file a notice that the Plan has become effective.

4. The Trustee is authorized to assume the contracts and leases listed in Schedule 1.2(c) of the Equity Securities Agreement, which was filed as Plan Supplement IV on March 13, 2014 [Doc. No 513], upon payment of the applicable Cure Claims listed in the Notice filed on March 12, 2014 [Doc. No. 448]. Notwithstanding the foregoing, Riceland has agreed to pay the asserted cure amount of \$5,846.93 alleged by Aetna Health, Inc. on or as soon as practicable following the Effective Date as a condition to the assumption of such contract. The Trustee is further authorized to assign any other assumed contracts and leases to the Reorganized Debtor, including those certain leases held in the name of Frontier Healthcare Group, LLC and assumed pursuant to a separate order entered by this Court on May 21, 2014 [Doc. No. 543].

Notwithstanding any language to the contrary contained in the Plan, the Plan Supplements or this Confirmation Order, nothing contained in the Plan shall limit Healthland's rights and remedies under its contracts with the Debtor and applicable non-bankruptcy law in light of the Trustee's rejection of Healthland's contracts under the Plan, and the provisions of a settlement as approved by a separate order of this Court [Doc. No. 542] shall fully and finally resolve the issues dealt with therein.

5. From and after the Effective Date, the Reorganized Debtor shall hold title to its Assets, including without limitation the Hospital Real Estate,<sup>3</sup> free and clear of Liens, Claims and encumbrances. Any Liens, Claims and encumbrances, including without limitation those set forth in the balance of this paragraph 5, shall attach to the proceeds to be paid to the Estate by co-Proponent Riceland per the Plan, and treated as provided in the Plan. This Order may be recorded in the public records as evidence and notice to all parties of the release and discharge of all Liens, Claims and encumbrances heretofore existing on any of the Debtor's Assets, including the Hospital Real Estate. The Liens, Claims and encumbrances that are released and discharged include without limitation the following:

- (a) Any and all Federal Tax Liens against the Debtor or the Hospital Real Estate recorded in the official public records of Chambers County, Texas, and for which the Plan obligates the IRS to issue discharges of tax liens;<sup>4</sup>
- (b) Deed of Trust from the Debtor to Sarah S. Mayo, Trustee, on behalf of secured party Vernon Scott Revocable Trust dated December 27, 2002, recorded at Vol. 1162, Pg. 381 of the official public records of Chambers County, Texas;

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<sup>3</sup> As used herein, the "Hospital Real Estate" shall mean the that certain tract or parcel containing 9.9457 gross acres (433,236 square feet) of land situated in the James Hoggatt League, Abstract Number 14, Chambers County, Texas, being out of and a part of a Reserved Area East of Winnie Townsite set aside by Winnie Suburbs Subdivision, a subdivision of record in Volume 1, Page 61 of the Map Records of Chambers County, Texas, as conveyed from the Foundation pursuant to a Prior Order.

<sup>4</sup> Such liens include, but are not limited to, Tax Liens with Serial Numbers 583586109, 589320509, 617223110, 646839410, 679217510, 727704310 and 748605911.

- (c) Deed of Trust from the Debtor to Sarah S. Mayo, Trustee, on behalf of secured party Coon Bayou Farm, LLC, recorded at Vol. 1164, Pg. 451 of the official public records of Chambers County, Texas;
- (d) Deed of Trust from the Debtor to Sarah S. Mayo, Trustee, on behalf of secured party Bryan Mayo and Sarah Mayo, recorded at Vol. 1164, Pg. 462 of the official public records of Chambers County, Texas;
- (e) Deed of Trust from the Debtor to Sarah S. Mayo, Trustee, on behalf of secured party Marjorie G. Scott Family Trust, recorded at Vol. 1164, Pg. 473 of the official public records of Chambers County, Texas;
- (f) Any and all abstracts of judgments or judgment liens filed against the Debtor or the Hospital Real Estate recorded in the official public records of Chambers County, Texas, including but not limited to those filed for or on behalf of each of Jacquelyn A. Leonard or Gunnar Erickson.
- (g) Any and all UCC financing statements filed against or as to the Debtor or against or as to the Hospital Real Estate, recorded in the official public records of the State of Texas or Chambers County, Texas, insofar as such financing statements assert a lien against or a security interest in any property that is considered realty or personalty under Texas law, including without limitation, the UCC Financing Statement filed or record December 17, 2009, in Volume 1160, Page 545 of the Official Public Records of Chambers County, Texas, against all accounts, inventory, furniture, fixtures, equipment, and general intangibles now owned or hereafter acquired;
- (h) Mechanic's Lien by Affidavit executed by Air Comfort, Inc. against the Debtor in the original amount of \$18,483.45 filed May 14, 2009, and recorded at index no. 20099044721 (vol. 1116, Pg. 608) of the Official Records of Chambers County, Texas; and
- (i) Any and all state tax Liens against the Debtor or the Hospital Real Estate recorded in the official public records of Chambers County, Texas, except for 2014 *ad valorem* taxes that are not yet delinquent.

6. The Trustee is hereby authorized to sell the Debtor's Accounts Receivable to Riceland under the terms described in the Plan. The Reorganized Debtor's payment obligations to the Liquidating Trustee under Section 7.2 of the Plan and 3.3 of the Equity Securities Agreement are hereby secured by a perfected first priority lien in the Reorganized Debtor's accounts receivable, now owned, hereafter acquired and any proceeds therefrom. The

Liquidating Trustee may, but shall not be required to, record a financing statement to notify others of this lien, and such lien shall remain effective until the Reorganized Debtor has paid the balance of the AR Purchase Price in full to the Liquidating Trustee. This Court expressly retains jurisdiction to enforce the lien granted by the Reorganized Debtor to the Liquidating Trustee and enter such orders as are necessary to protect the Liquidating Trustee from an event of default in the payment of the AR Purchase Price by the Reorganized Debtor.

7. The Debtor's assumption of the Medicare and Medicaid provider agreements in this case presented special facts and circumstances that warranted the particular results attained in this Case. Nothing in the Plan, this Confirmation Order or otherwise occurring in the Case serves as binding precedent for future Medicare or Medicaid providers. Further, nothing in this order shall be construed to limit, create, modify or enlarge any recoupment rights of any governmental agency or the rights or defenses of the Debtor, the Reorganized Debtor, the Trustee, the Liquidating Trustee or any party in interest with respect to such recoupment rights.

8. This Court shall retain jurisdiction over the implementation of the Plan and this Order, as more specifically described in Article XIV of the Plan.

**### END OF ORDER ###**

**ORDER SUBMITTED BY:**

George H. Tarpley  
State Bar No. 19648000  
Aaron M. Kaufman  
State Bar No. 24060067

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