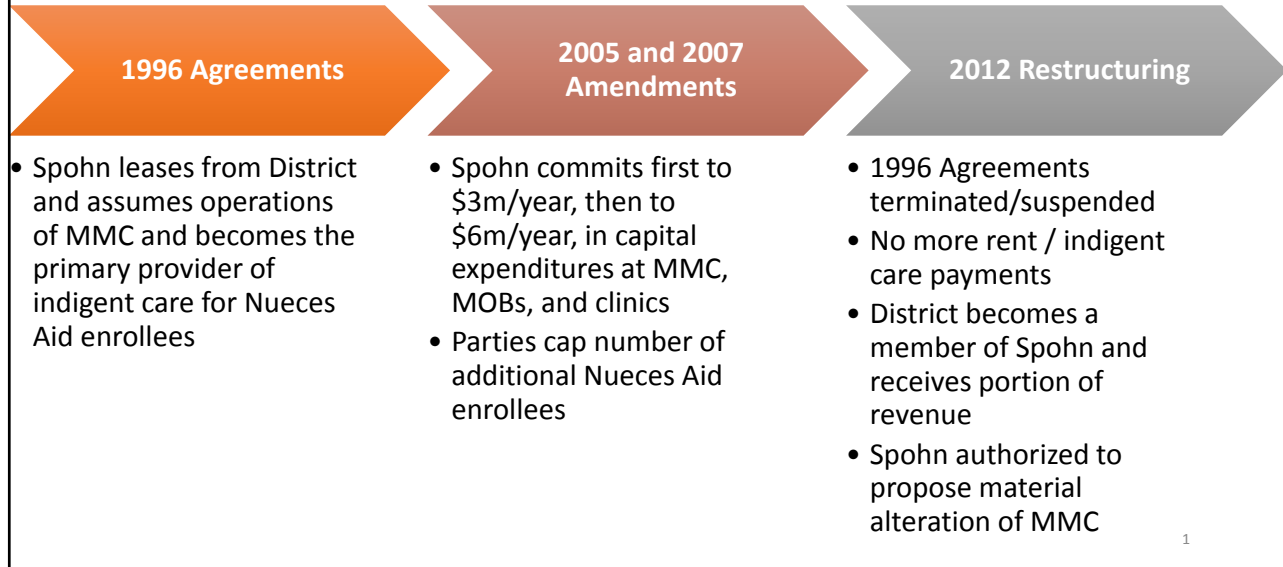
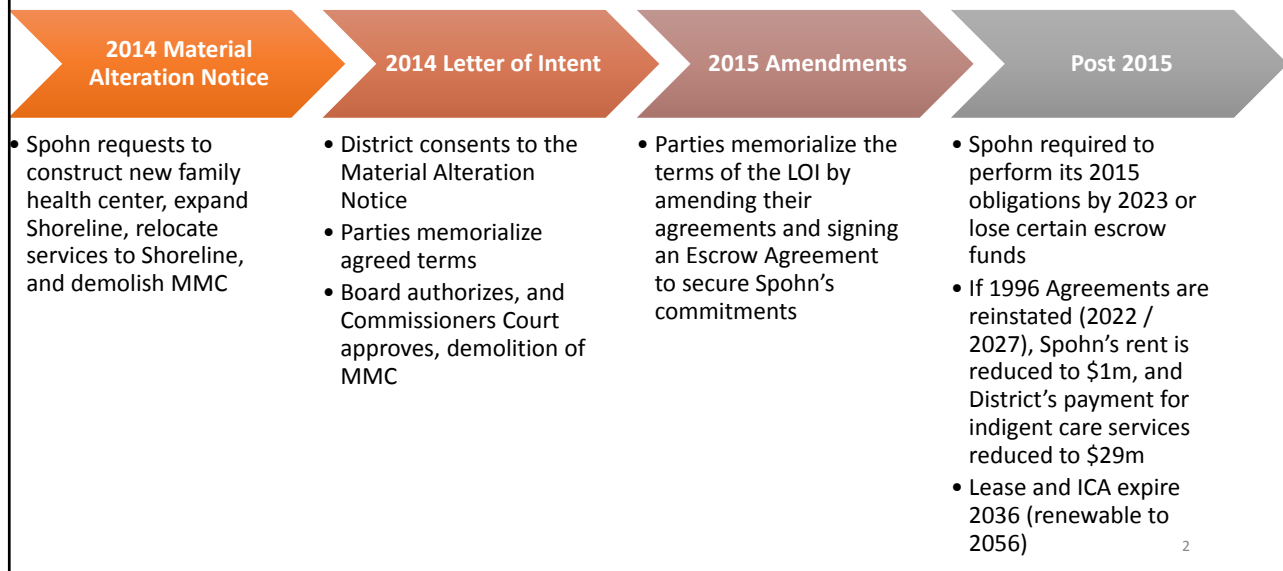


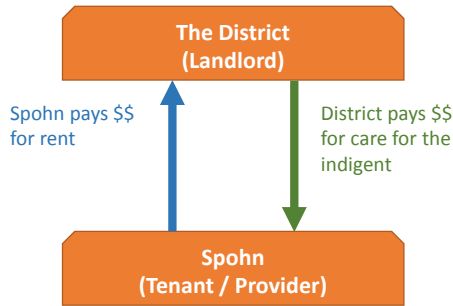
Overview of District / Spohn Relationship



Overview of District / Spohn Relationship



1996 Agreements as Amended Through 2012



Agreements ("1996 Agreements"):

- Master Agreement
- Lease
- Revised and Restated Indigent Care Agreement

Key Spohn Obligations:

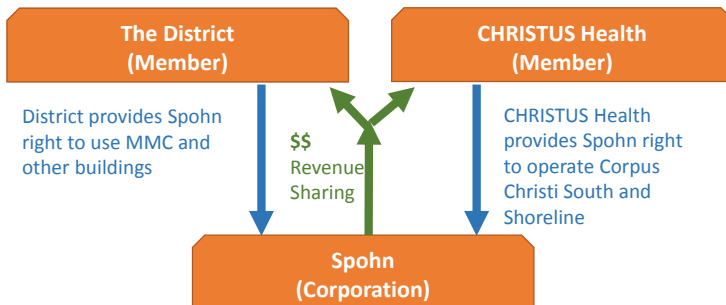
- Pay rent to District
- Spend \$6 million/year in capital expenditures at MMC, MOB, and clinics
- Provide healthcare services to Nueces Aid enrollees

Key District Obligations:

- Lease MMC and other buildings to Spohn
- Pay Spohn for providing healthcare services to Nueces Aid enrollees

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September 2012 Membership Restructuring



1996 Agreements terminated/suspended

Agreements:

- Membership Agreement
- Memorandum of Understanding ("MOU")
 - (reinstates 1996 Agreements upon termination/expiration of Membership Agreement)

Key Spohn obligations/rights:

- Continue to provide healthcare services to Nueces Aid enrollees
- Revenue sharing between the District and CHRISTUS Health
- Spohn may propose material alteration of MMC

4

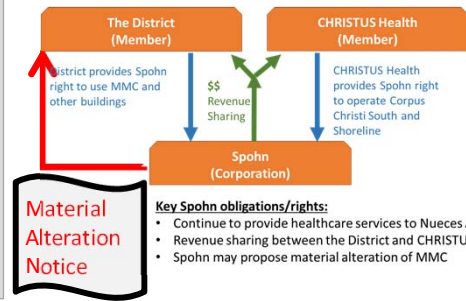
2014 Material Alteration Notice

2014 Material Alteration Notice from Spohn – Key Terms

Spohn proposes to:

- **Transition services** from MMC to Shoreline
- **Continue** providing health care, psychiatric, and other health care services to Nueces Aid enrollees, and continue medical residency programs
- **Expand Shoreline**, including achievement of Level II Trauma designation and an addition of a new patient bed tower
- **Construct a 40,000 sqft Family Health Center** on MMC campus, which will provide a variety of services, including primary care, specialty care, pharmacy, imaging and laboratory services, social services, community health / transition care counseling, behavioral health, wellness and prevention education, disease management, NCHD enrollment counselors, and an onsite chapel
- **Close and Demolish MMC**

Spohn exercises its right to propose a material alteration of MMC



- Key Spohn obligations/rights:**
- Continue to provide healthcare services to Nueces Aid enrollees
 - Revenue sharing between the District and CHRISTUS Health
 - Spohn may propose material alteration of MMC

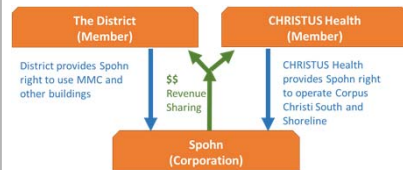
2014 Letter of Intent and Board Resolution

Letter of Intent

- District consents to the Material Alteration Notice
- Parties memorialize the terms, including the following Spohn obligations:
 - **Renovate and expand Shoreline**, including achievement of Level II Trauma designation
 - **Construct the HPG - Memorial Family Health Center** on MMC campus, which will belong to the District
 - **Transition services** from MMC to Shoreline
 - **Close and Demolish MMC** and maintain green space
 - **Provide services to Nueces Aid enrollees** through 2036 (renewable to 2056) at **same levels**, including psychiatric, behavioral, and Level II Trauma services
 - Maintain at least 2 **GME programs**
 - Place in **escrow** difference between existing and new (reduced) capital expenditures obligation, to be disbursed upon completion of obligations. Deadline is 2023 but extendable to 2026 in case of an act beyond Spohn's control

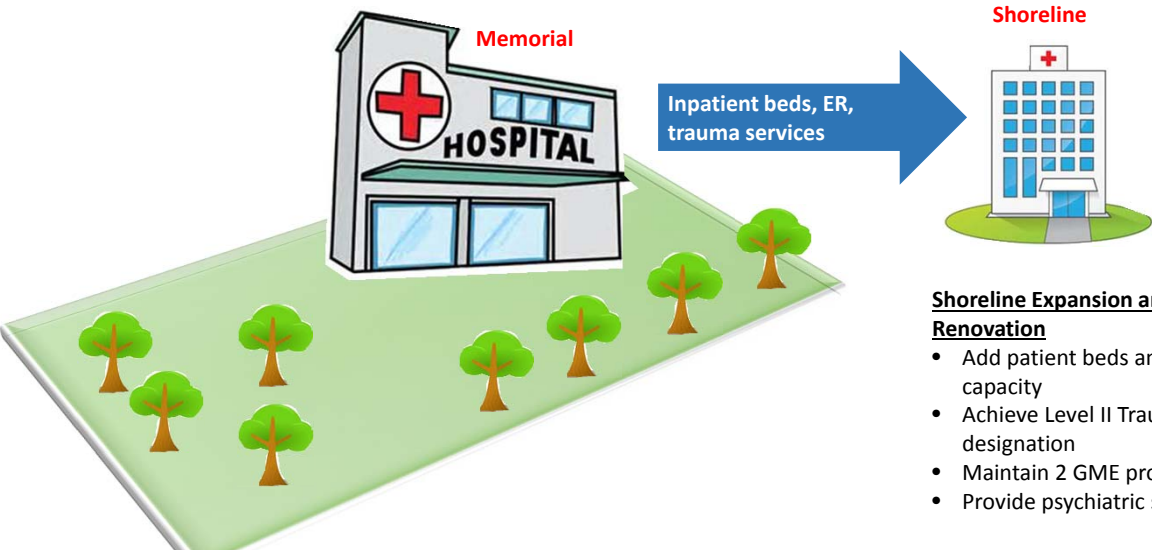
Board Resolutions and Commissioners Court Approval

- Board of Managers authorizes the closure and demolition of the MMC hospital facility
- Commissioners Court approves



- Key Spohn obligations/rights:**
- Continue to provide healthcare services to Nueces Aid enrollees
 - Revenue sharing between the District and CHRISTUS Health
 - Spohn may propose material alteration of MMC

2014 Letter of Intent



Memorial
HOSPITAL

Inpatient beds, ER, trauma services

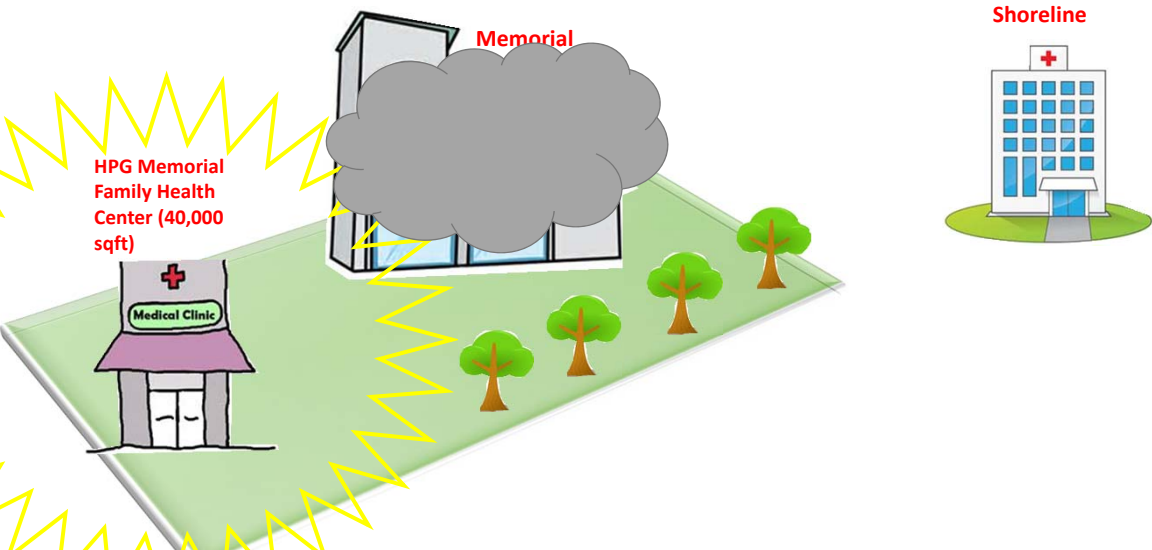
Shoreline

Shoreline Expansion and Renovation

- Add patient beds and ED capacity
- Achieve Level II Trauma designation
- Maintain 2 GME programs
- Provide psychiatric services

7

2014 Letter of Intent



Memorial

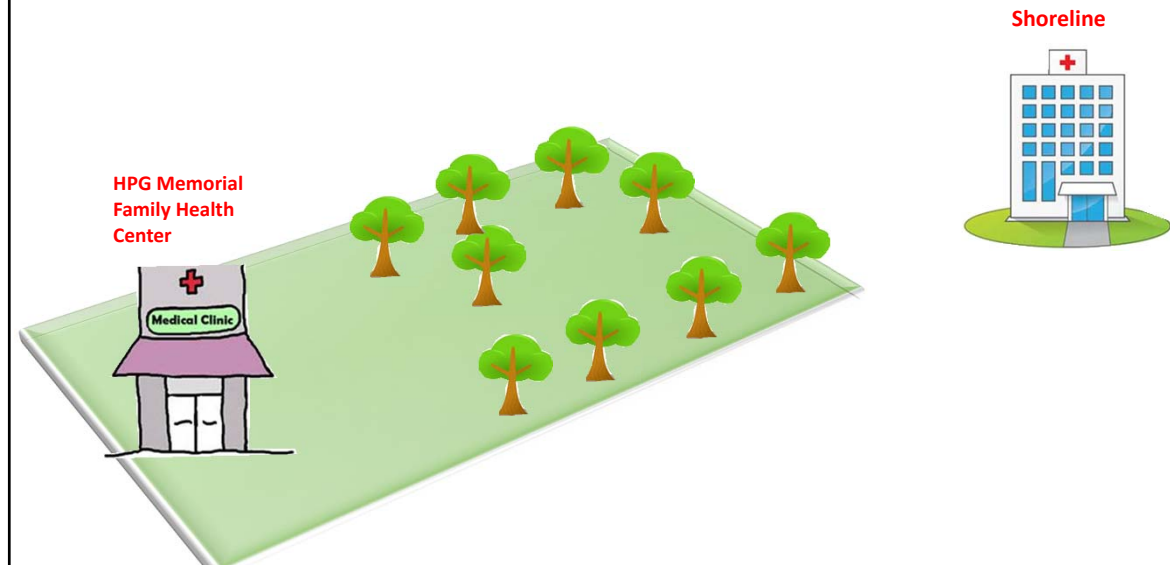
HPG Memorial Family Health Center (40,000 sqft)

Medical Clinic

Shoreline

8

2014 Letter of Intent



2015 Amendments

Amended and Restated Membership Agreement

Reflects the terms of the LOI. Will govern current and future relationship

- Schedule 1: "Spohn's Occupancy of District Facilities"
- Schedule 2: "Provision of Health Care Services"

Escrow Agreement

Secures Spohn's commitments under the Revised and Restated Membership Agreement

- Bank of America is acting as escrow agent.
- Spohn contributes the difference between existing and new (lower) capital expenditures requirements.
- Disbursed back to Spohn in portions upon completion of each of the 2015 obligations.

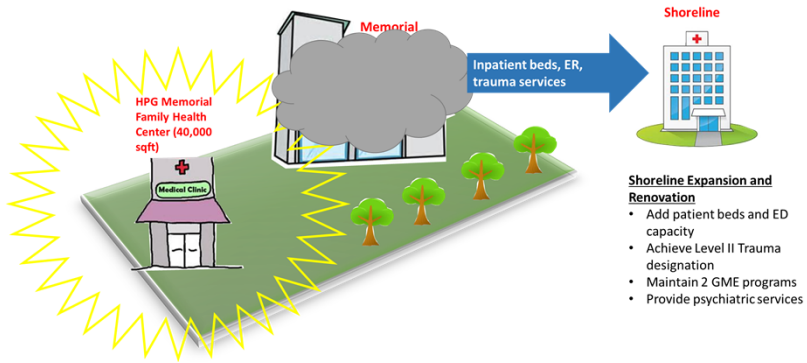
Amended and Restated MOU

Updates and reinstates the 1996 Agreements upon termination or expiration of any future Membership Agreement

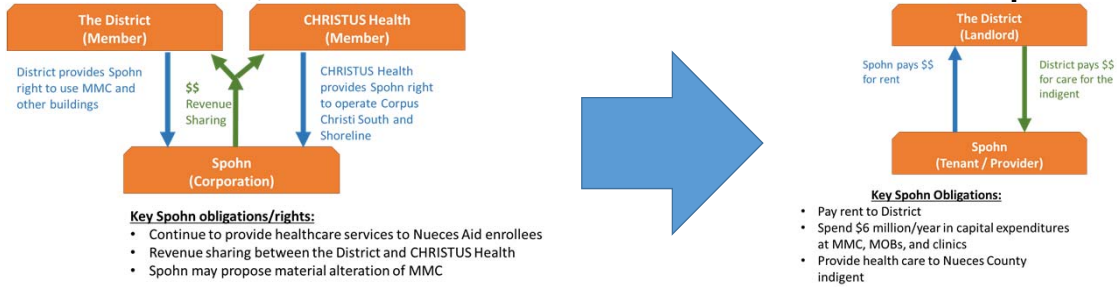
- Attachment A: Amends Revised and Restated ICA.
- Attachment B: Amends Lease.
- Attachment C: Amends Master Agreement.

2023 Deadline for 2015 Commitments

- From 2015 to 2023, Spohn makes annual contributions to the escrow and receives a disbursement upon completion of each commitment
- The deadline for the 2015 commitments is 2023, but may be extended to 2026 if an event beyond Spohn's control occurs
- If Spohn fails to meet the deadline, the escrow funds are released to the District



Possible Future Reinstatement of Landlord/Tenant and Provider Relationships



- 1996 Agreements, as amended, are reinstated upon termination of Membership Agreement, which expires in 2022 (renewable to 2027)
- Upon reinstatement:
 - Spohn's rent payment is reduced to \$1m/year
 - District's services payment is reduced to \$29m/year
- 1996 Agreements, as amended, expire in 2036 (renewable to 2056)

Agreements:

- Master Agreement
- Lease
- Revised and Restated Indigent Care Agreement