

**NUECES COUNTY HOSPITAL DISTRICT
BOARD OF MANAGERS
Board of Managers - Regular Meeting
Tuesday, October 24, 2023 at 12:30 PM**

AGENDA

1. WELCOME

2. ROLL CALL OF BOARD OF MANAGERS

- John E. Valls, MBA, Chairman
- Vishnu V. Reddy, M.D., Vice Chairman
- Sylvia Tryon Oliver
- Belinda Flores, R.N.
- Judge Mariana Garza
- Efrain Guerrero, Jr.
- Arthur Granado

3. CALL TO ORDER, ESTABLISHMENT OF QUORUM, MEETING POSTING CONFIRMATION, AND CLOSED MEETING NOTICE:

A. Call to order.

B. Establish quorum.

C. Confirm posting of Meeting's public notice in accordance with Texas Open Meetings Act, Texas Government Code, Chapter 551. 4

D. Public notice is hereby given that the Board of Managers may elect to go into Closed Meeting session(s) at any time during the meeting to discuss any matter(s) listed on the agenda when so authorized by the provisions of the Open Meetings Act, Texas Government Code, Chapter 551.

4. ANNOUNCEMENT ON DISCLOSURE OF CONFLICTS OF INTEREST. Any Conflicts of Interest or Appearance of a Conflict of Interest with items on this agenda shall be declared at this time. Members with conflicts will refrain from voting and are asked to refrain from discussion on such items. Conflicts discovered later in the meeting shall be disclosed at that time.

5. PUBLIC COMMENT - Persons attending in-person and wishing to comment on any item(s) on the agenda or any subject within the Board's responsibilities must sign-in on the "Agenda Item Request to Speak" form provided at the entrance of the Board meeting room at least five (5) minutes prior to commencement of the meeting. Persons attending via audio or video conference and wishing to comment on any item(s) on the agenda or any subject within the Board's responsibilities must verbally notify the presiding officer of their

desire to comment when the officer calls for public comment from those attending via audio and video conference. Commenters shall limit their comments to three (3) minutes, except that Commenters addressing the Board through a translator shall limit their comments to six (6) minutes.

6. **REGULAR AGENDA** - The Regular Agenda consists of those agenda items which are non-routine, not administrative in nature, or are otherwise in need of separate attention. Each Regular Agenda item will be voted upon separately if action is required:

A. Membership Agreement:

1. Receive information on matters relating to CHRISTUS Spohn Health System's Emergency Medicine Residency Program and the Graduate Medical Education requirements under CHRISTUS Spohn Health System Corporation Amended and Restated Membership Agreement, Schedule 2, Section 2.7. **(INFORMATION)** 14
2. Discuss and consider adopting a method for making appointments to CHRISTUS Spohn Health System Corporation's Board of Directors; appointments pursuant to Article III, Section 3.01(b) of the CHRISTUS Spohn Health System Corporation Amended and Restated Membership Agreement; and authorize Administrator to implement related procedures. **(ACTION)** 30

B. Administrator's Actions:

1. Ratify Administrator's action(s) performed as part of his duties directing the affairs of the Hospital District and/or as required by the Board of Managers; duties established pursuant to Texas Health and Safety Code, §281.026(e):
 - a. Execution of Letter Agreement with Frost Bank extending current depository and related agreements through November 30, 2023. **(ACTION)** 51
 - b. Engagement of Collier, Johnson & Woods, P.C., Certified Public Accountants to perform an audit of the Hospital District's financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for the fiscal year ended September 30, 2023 (October 1, 2022 - September 30, 2023). **(ACTION)** 52

C. Jail Healthcare Services:

1. Amend existing Health Services Agreement between Nueces County, Armor Correctional Health Services, and Nueces County Hospital District to remove the District from the Agreement; approve new 60

Agreement between the County and the District for the District to provide funding to the County for subject services; and authorize the Administrator to execute related documents. **(ACTION)**

7. ADMINISTRATOR'S BRIEFING:

A. Next scheduled Board of Managers regular meeting (meeting dates, times, and locations are subject to change):

1. Board of Managers: Tuesday, November 14, 2023, 12 Noon in NCHD Board of Managers Meeting Room at 555 North Carancahua Street, Room 950-A, Corpus Christi, Texas 78401. **(INFORMATION)**

8. ADJOURN



Kara Sands

Nueces County Clerk
901 Leopard St #201
Corpus Christi, TX 78401

Main: (361)888-0580

Receipt: 20231020000140

Date: 10/20/2023

Time: 02:51PM

By: Margarita S

Station: CLERK03

Status: ORIGINAL COPY

<u>Seq</u>	<u>Item</u>	<u>Document Description</u>	<u>Number</u>	<u>Number Of</u>	<u>Amount</u>	<u>Serial Number</u>
1	Public Notice	PBN	2023000491	2	\$0.00	
Order Total (1)					\$0.00	

<u>Seq</u>	<u>Payment Method</u>	<u>Transaction Id</u>	<u>Comment</u>	<u>Total</u>
1				\$0.00
Total Payments (1)				\$0.00
Change Due				\$0.00

NUECES COUNTY HOSPITAL DISTRICT BOARD
OF MANAGERS

For more information about the County Clerk's office and to search property records online, please visit <http://www.nuecesco.com/county-services/county-clerk>



VG-12-2023-2023000491

Nueces County
Kara Sands
Nueces County Clerk

Instrument Number: 2023000491

Public Notice

PUBLIC NOTICES

Recorded On: October 20, 2023 02:51 PM

Number of Pages: 2

" Examined and Charged as Follows: "

Total Recording: \$0.00



STATE OF TEXAS
Nueces County

I hereby certify that this Instrument was filed in the File Number sequence on the date/time printed hereon, and was duly recorded in the Official Records of Nueces County, Texas

Kara Sands
Nueces County Clerk
Nueces County, TX

***** THIS PAGE IS PART OF THE INSTRUMENT *****

Any provision herein which restricts the Sale, Rental or use of the described REAL PROPERTY because of color or race is invalid and unenforceable under federal law.

File Information:

Document Number: 2023000491
Receipt Number: 20231020000140
Recorded Date/Time: October 20, 2023 02:51 PM
User: Margarita S
Station: CLERK03

Record and Return To:

NUECES COUNTY HOSPITAL DISTRICT BOARD OF MANAGERS

RECEIVED

OCT 20 2023

KARA SANDS
CLERK OF THE COUNTY COURT
NUECES COUNTY, TEXAS

PUBLIC NOTICE

**NUECES COUNTY HOSPITAL DISTRICT
BOARD OF MANAGERS**

ATTENDANCE AT NON-HOSPITAL DISTRICT PRESENTATION

Date/Time: Tuesday, October 24, 2023 at 11:30 AM

**Location: Nueces County Jail, 901 Leopard Street, 3rd Floor, Corpus Christi,
Texas 78401**

The Nueces County Hospital District's Board of Managers have been invited to attend a non-Hospital District presentation on the date and at the time and location above. The Hospital District has been advised the presentation will address the subject shown below. The entire Board of Managers, one or more Board Committees, or one or more individual Board members may attend the presentation. The presentation is not a meeting of the Board of Managers and no action will be taken by the Board at the presentation.

The subject of the presentation is:

- 1. The Nueces County Hospital District's Board of Managers will participate in a tour of the Nueces County Jail Infirmery located at 901 Leopard Street, 3rd Floor, Corpus Christi, Texas.**



Kara Sands

Nueces County Clerk
901 Leopard St #201
Corpus Christi, TX 78401

Main: (361)888-0580

Receipt: 20231020000142

Date: 10/20/2023

Time: 02:53PM

By: Margarita S

Station: CLERK03

Status: ORIGINAL COPY

<u>Seq</u>	<u>Item</u>	<u>Document Description</u>	<u>Number</u>	<u>Number Of</u>	<u>Amount</u>	<u>Serial Number</u>
1	Public Notice	PBN	2023000492	6	\$0.00	
				Order Total	(1)	\$0.00

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1				\$0.00	
				Total Payments	(1) \$0.00
				Change Due	\$0.00

NUECES COUNTY HOSPITAL DISTRICT BOARD
OF MANAGERS

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VG-12-2023-2023000492

Nueces County
Kara Sands
Nueces County Clerk

Instrument Number: 2023000492

Public Notice

PUBLIC NOTICES

Recorded On: October 20, 2023 02:53 PM

Number of Pages: 6

" Examined and Charged as Follows: "

Total Recording: \$0.00



**STATE OF TEXAS
Nueces County**

I hereby certify that this Instrument was filed in the File Number sequence on the date/time printed hereon, and was duly recorded in the Official Records of Nueces County, Texas

Kara Sands
Nueces County Clerk
Nueces County, TX

***** THIS PAGE IS PART OF THE INSTRUMENT *****

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Station: CLERK03

Record and Return To:

NUECES COUNTY HOSPITAL DISTRICT BOARD OF MANAGERS

RECEIVED

OCT 20 2023

KARA SANDS
CLERK OF THE COUNTY COURT
NUECES COUNTY, TEXAS

NOTICE OF PUBLIC MEETING
NUECES COUNTY HOSPITAL DISTRICT

BOARD OF MANAGERS

Board of Managers - Regular Meeting
Tuesday, October 24, 2023 at 12:30 PM

Location:

**Nueces County Commissioners Courtroom, 901 Leopard Street, 3rd Floor, Corpus Christi,
Texas 78401**

MEETING IN-PERSON AND VIA VIDEOCONFERENCE CALL

The Nueces County Hospital District ("NCHD") Board of Managers or a Committee thereof as specified above will hold a meeting on the date and at the time and location shown above. The agenda item(s) for this meeting are set forth on the accompanying page(s); agenda item(s) are not necessarily considered in the order listed.

On September 1, 2021, Governor Abbott rescinded the suspension of certain Rules of the Texas Open Meetings Act ("Act") which had allowed meetings to be conducted entirely virtually. The specified NCHD Board of Managers meeting will be held both in-person and via videoconference call. Public participation will be available in-person as well as via videoconference call as allowed under the Act. It is the intent that a quorum of the Board of Managers as required for the specified meeting will be physically present at the location posted in this meeting notice. It is also the intent that the Board member presiding over the meeting be physically present for the specified meeting at the location posted in this meeting notice. Any member of the Board of Managers participating by videoconference call shall be visible and audible to the public whenever the member is speaking; Board member participation by audio-only is no longer permitted. Although the meeting will be open to the public during the open portions of the meeting, any member of the public wishing to observe the meeting may do so via videoconference call and as well as participate via videoconference call in public comment, may do so through the videoconference call Zoom meeting link shown on this meeting notice below, as well as shown on NCHD's website.

The Texas Open Meetings Act defines a "videoconference call" as a communication conducted between two or more persons in which one or more of the participants communicate with the other participants through duplex audio and video signals transmitted over a telephone network, a data network, or the Internet. Zoom is an Internet-based communications platform that allows users to connect with duplex audio and video signals. Using Zoom requires an Internet connection and a supported device.

Meeting agendas and supporting materials are available via NCHD's BoardBook meeting management system at: <https://meetings.boardbook.org/Public/Organization/1886>.

Attend Meeting via Videoconference, Join Zoom Meeting:

<https://nchdcc-org.zoom.us/j/5746765992?pwd=T2RVWFBoZGJYdHYyQmp1VUdZeUc3Zz09>

Meeting ID: 574 676 5992

Passcode: 195957

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C. **Jail Healthcare Services:**

1. Amend existing Health Services Agreement between Nueces County, Armor Correctional Health Services, and Nueces County Hospital District to remove the District from the Agreement; approve new Agreement between the County and the District for the District to provide funding to the County for subject services; and authorize the Administrator to execute related documents. (*ACTION*)

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8. ADJOURN



October 17, 2023

Dear Mayor Guajardo and Members of the City Council,

I am writing to you about the recent decision to phase out the Emergency Medicine Residency Program at CHRISTUS Health System by June 2026. There has been a lot of speculation, questions and misinformation about the decision to end the program, which is a partnership with Texas A&M University Health.

I want to assure you, the residents and faculty, our Associates and our community that the decision to phase out the program was made with thorough consideration of our community's needs and our ministry's available resources to serve those needs. We ultimately determined that our ability to sustain this program would end with graduating this cohort in 2026.

To ensure the quality of care our patients receive will not change, we are committed to seeing that our emergency department staffing and other health care services remain strong as we wind down the teaching program. Our Family Medicine Residency, as well as our Family Medicine Obstetrics and Geriatrics fellowship programs, will continue unchanged. We have also invested in a Nurse Residency Program to support new graduate registered nurses as they develop skills to practice independently in high complexity care area.

We are also committed to the residents currently enrolled in Emergency Medicine Residency Program. That is precisely why, as we have communicated to them, the program's date of closure isn't until June 2026. For any impacted Associates, we will do all that we can to provide support, including, but not limited to, assisting them in finding other open roles within CHRISTUS Health.

I want to stress that as we end this program, it will not impact patient care, at all. Our emergency department will remain intact at all CHRISTUS Spohn Hospitals, both in Corpus Christi, and in our rural hospitals in Kleberg, Alice, and Beeville.

This Emergency Medical program has been around since 2007. When it was created, we were only one of three Emergency Medicine Residency Programs in the state. Now, there are 18. The program has been staffed far above the CHRISTUS Graduate Medical Education (GME) cap, and it has been privately funded by CHRISTUS Health for many years as a result. We are proud of the more than 120 graduates we have supported and of the current residents we were supporting today.

The American College of Emergency Physicians sponsored a workforce study in December 2021 that found that there will be a surplus of emergency physicians by 2030. Furthermore, in 2023, 555 emergency medicine slots across the United States went unfilled. That number is up from 2022, when 219 were unfilled in the match. Simply put, there is a national oversupply of emergency residency slots.

Again, this was not an easy decision. Ultimately, we are simply unable to sustain the program for the long-term future. A majority of this program has been privately funded by CHRISTUS Health for many years.

As a nonprofit health system, CHRISTUS Spohn remains dedicated to the quality and affordable health care we serve to the Coastal Bend. We will continue to focus on making integrated and consumer-focused care more accessible, reliable, and personal for all of the people we are blessed to serve, as we extend the healing ministry of Jesus Christ.

Sincerely,



Dom Dominguez
CEO, CHRISTUS Spohn Health System

AMENDED AND RESTATED
SCHEDULE 2 TO SPOHN MEMBERSHIP AGREEMENT

PROVISION OF HEALTH CARE SERVICES

CHRISTUS Spohn Health System Corporation ("Spohn") shall provide charity Health Care Services to Nueces County Indigent patients during the term of the Spohn Membership Agreement (the "Agreement") consistent with the following terms.

1. DEFINITIONS

- 1.1. Annual Inflation Adjuster. "Annual Inflation Adjuster" shall mean any average percentage increase in the Consumer Price Index and the Global Insight Hospital Index for the four (4) consecutive calendar quarters ended on March 31 of the Year immediately prior to the commencement date of the applicable Year.
- 1.2. Affiliate. "Affiliate" shall mean any Person that, directly or indirectly, controls, or is controlled by or under common control with, another Person. For purposes of this definition, "control" (including the terms "controlled by" and "under common control with"), as used with respect to any Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities or by contract or otherwise.
- 1.3. Charity Care. "Charity Care" shall mean the unreimbursed amount (based on Spohn's then existing charges) which Spohn does not receive as a result of providing, funding or otherwise financially supporting health care services on an inpatient or outpatient basis to a person classified by Spohn as "financially indigent" or "medically indigent," or providing funding or otherwise financially supporting health care services through community outreach programs and other health care related organizations, including health care services provided by Spohn to then current enrollees under the District's indigent care program for which Spohn does not receive any reimbursement and who also qualify for Spohn's then current charity guidelines.
- 1.4. Consumer Price Index. "Consumer Price Index" shall mean the Consumer Price Index for All Urban Consumers as published by the United States Department of Labor, Bureau of Labor Statistics, or any comparable successor index prepared and published by the United States government.
- 1.5. Emergency Services. "Emergency Services" shall mean services provided by Spohn at any Spohn Facility to medically screen, stabilize and treat, in accordance with applicable triage requirements under state and federal transfer statutes and regulations as may be from time to time in effect for hospitals in the State of Texas, a medical condition manifesting itself by acute symptoms of sufficient severity, including, without limitation, severe pain, such that the absence of immediate medical attention could be reasonably expected to result in:

- a. Placing the health of the individual, or, with respect to a pregnant woman, her unborn child, in serious jeopardy;
 - b. Serious impairment to bodily functions;
 - c. Serious dysfunction of any bodily organ or part; or
 - d. With respect to a pregnant woman who is having contractions:
 - i. Inadequate time to effect a safe transfer to another hospital before delivery, or
 - ii. A threat to the health or safety of the woman or the unborn child.
- 1.6. “Emergency Services” shall also include any services identified as Emergency Services in the Handbook.
- 1.7. Global Insight Hospital Index. “Global Insight Hospital Index” shall mean the IHS Global Insight Hospital Market Basket Index as published by Global Insight in Health-Care Cost Review, or any comparable successor health care industry index agreed to by the District and Spohn.
- 1.8. Handbook. “Handbook” shall mean the Nueces County Hospital District Indigent Health Care Program Handbook, as amended, modified, or supplemented from time to time in accordance with Section 3.3.
- 1.9. Health Care Services. “Health Care Services” shall mean Medically Necessary (i) Hospital Services, (ii) Physician Health Services, (iii) pharmaceuticals prescribed by a Physician authorized to provide Physician Health Services hereunder—provided, however, that Spohn shall not be required to provide more prescription drugs than it is required to provide pursuant to the applicable provisions of the Handbook, and (iv) pharmaceuticals prescribed in respect of Hospital Services—provided, however, that pharmaceuticals prescribed for use after a patient has been discharged or after the outpatient Hospital Service has been rendered are subject to the limitation set forth in subsection (iii) above, and provided further that pharmaceuticals prescribed to Indigents shall conform to the requirements set forth in the Handbook.
- 1.10. Hospital Services. “Hospital Services” shall mean all inpatient and outpatient hospital services generally offered by Spohn, at any Nueces County Facility, including Emergency Services, which are permitted to be provided by Spohn under the authority of hospital and other facility licenses held by Spohn, in accordance with the statutes and regulations of the State of Texas, and shall also include any service designated as a Hospital Service in the Handbook. Notwithstanding the foregoing, “Hospital Services” shall not include any service provided by a Physician that is a “Physician Health Service,” as defined below.

- 1.11. Indigent. "Indigent" shall mean those persons who meet the definition and eligibility criteria for "Indigent" set forth in the Handbook.
- 1.12. Medically Necessary or Medical Necessity. "Medically Necessary" or "Medical Necessity" shall mean health care services which are determined by the attending Physician or another medical professional, as may be appropriate in each case, to be:
- a. Appropriate and necessary for the symptoms, diagnosis, or treatment of the medical conditions of the Indigent presenting himself or herself for treatment, as determined in accordance with the Utilization Review Plan (as defined below); and
 - b. Provided for the diagnosis or direct care and treatment of the medical condition of the Indigent presenting himself or herself for treatment; and
 - c. Not primarily for the convenience of the Indigent, the Indigent's physician or another provider; and
 - d. The appropriate level of service needed to provide safe and adequate care, subject, where applicable, to the Utilization Review Plan.
- 1.13. Nueces Aid Program. "Nueces Aid Program" shall mean the Indigent Health Care Program administered by the Nueces County Hospital District.
- 1.14. Physician. "Physician" shall mean an individual licensed by the State of Texas to practice medicine within the scope of his or her license, who has fulfilled the requirements for and is a member in good standing of any medical staff of Spohn and is permitted to practice at any Nueces County Facility.
- 1.15. Physician Health Services. "Physician Health Services" shall mean the medical, professional, and ancillary services offered by or in connection with Physicians as part of their medical practice, including, without limitation, diagnostic and therapeutic services provided in such Physician's office setting (including, without limitation, primary, secondary, or tertiary care services, physician assistant and nurse practitioner services, and primary care or consultative Physician services in the specialties of family practice, obstetrics/gynecology, pediatrics, and such other specialties as Spohn may contract with to provide primary, secondary, or tertiary care services hereunder) and such medical, professional and ancillary services identified as Primary Health or Consultative Services in the Handbook. Such Physician Health Services shall be made available at such times and at such location or locations as Spohn, in its reasonable discretion, determines are adequate to make such services reasonably accessible to Indigents.
- 1.16. Spohn Facility. "Spohn Facility" means any health care facility, hospital, medical office or clinic owned or operated by Spohn and designated as a "Spohn Facility" in the Handbook.

- 1.17. Universal Governmental Plan. “Universal Governmental Plan” shall mean a state or federal program adopted after September 30, 1996, which provides for payment to Spohn for providing Health Care Services to Indigents by Spohn, which program may constitute a material restructuring of Medicaid, Medicare or other existing governmental programs that provides coverage to significant number of Indigent individuals including, without limitation, any state or federal program adopted pursuant to the Patient Protection and Affordable Care Act or the Health Care and Education Reconciliation Act of 2010.
- 1.18. Utilization Review Plan. “Utilization Review Plan” shall mean Spohn’s utilization review and quality assurance plan, as reasonably applied from time to time by Spohn with respect to Health Care Services. If requested in writing by the District, Spohn will make available a copy of the Utilization Review Plan for the District’s review and amend the Utilization Review Plan to incorporate an appeal procedure permitting the District to appeal any Utilization Review Plan or other Medical Necessity decision of Spohn, such appeal procedure to be administered by a nationally or regionally recognized vendor of such services to be engaged by Spohn at Spohn’s expense, the selection of which shall be subject to the consent of the District, which consent shall not be unreasonably withheld.
- 1.19. Year. “Year” shall mean the period commencing on October 1 and ending September 30 of the following year, and each twelve-month period thereafter.

2. NUECES AID PROGRAM SERVICES

- 2.1. Provision of Health Care Services. During the term of the Agreement, Spohn shall provide or arrange for the provision of Health Care Services to Indigents without charge at the level and to the extent set forth in the Handbook. Indigents, as defined in Section 1.11 hereto, shall have the ability to access services in all Spohn Facilities, as defined in Section 1.16. Spohn Facilities include each hospital owned or operated by Spohn, including hospitals located outside of Nueces County, Spohn’s family health centers, the Dr. Hector P. Garcia – Memorial Family Health Center to be constructed by Spohn consistent with the September 10, 2014 Letter of Intent between Spohn and the District, Spohn’s outpatient and ambulatory locations, and any new facilities Spohn may operate for the purpose of providing healthcare to the community. The determination of whether an individual is an “Indigent” eligible to receive Health Care Services hereunder shall be made in accordance with Article 3 hereof. Spohn may, at its option, charge and collect a minimal access fee to any Indigent who seeks care in an emergency room of any Spohn Facility, but whose conditions do not require Emergency Services, to the extent permitted by applicable law. Spohn shall have all responsibility for payment to the Physicians participating with Spohn in the provision of Health Care Services. Spohn shall also provide inpatient hospital and outpatient services to Nueces County jail inmates to the extent such services are not covered in the Health Services Agreement for Nueces County Correctional Facilities among Nueces County, the District and the correctional care services contractor (“Jail Infirmary Contract”) that was in effect on December 1, 2013. To the extent the Jail Infirmary Contract with such correctional care services contractor or a successor contractor to such correctional care services contractor

is subsequently terminated or significantly modified to reduce the level of services provided thereunder, Spohn and the District agree to enter into negotiations for Spohn's potential provision of expanded jail infirmary services.

2.2. Psychiatric Services. In addition to the Health Care Services Spohn furnishes to Indigents pursuant to the Handbook in accordance with Section 2.1, Spohn will ensure the appropriate availability of inpatient and outpatient psychiatric and behavioral health services for Indigents during the term of the Agreement. The specific requirements Spohn must fulfill in making these psychiatric and behavioral health services available to Indigents and in maintaining the availability of psychiatric and behavioral health services include:

- a. The location of the inpatient and outpatient psychiatric and behavioral health services Spohn makes available to Indigents will be in Corpus Christi, Texas;
- b. Spohn will furnish or arrange transportation services (including coordination with law enforcement for transportation) for Nueces County Indigents requiring psychiatric and/or medical services between Spohn's inpatient psychiatric facilities and Spohn's off-site service facilities where Indigents can access psychiatric and/or medical services. Spohn will pay for such transportation services if not paid for by another source or furnished by another source without charge;
- c. Spohn will ensure that inpatient Indigents have access to appropriate medications upon a psychiatric discharge, consistent with the limitations in the Handbook;
- d. Spohn shall analyze the most appropriate facility for psychiatric and behavioral health services in conjunction with the Texas legislative initiative, House Bill 3793, 83rd Legislature, Regular Session, 2013 Plan for the Appropriate and Timely Provision of Mental Health Services, which directs the Department of State and Health Services to develop a plan to ensure the appropriate and timely provision of mental health services, and other applicable initiatives;
- e. Spohn will provide psychiatric assessment and crisis stabilization services;
- f. Spohn will provide adequate availability of inpatient psychiatric beds for Indigents, patients under emergency detention warrant, and adult Behavioral Health Center of Nueces County (formerly Nueces County MHMR) patients. Spohn will evaluate and, as appropriate, modify such number of inpatient psychiatric beds in the future based on patient demand and community need;
- g. Spohn will provide an adequately and appropriately equipped commitment hearing location within or adjacent to Spohn's inpatient psychiatric facility;
- h. Spohn will provide access for law enforcement officers and others to bring Nueces County residents to Spohn's appropriate facilities;

- i. Spohn will coordinate with law enforcement on the transportation by law enforcement authorities of jail inmates and persons in law enforcement custody who have psychiatric conditions; and
- j. Spohn will maintain its collaboration with Behavioral Health Center of Nueces County (formerly Nueces County MHMR) for behavioral health services and resources, including inpatient services.

2.3 Trauma and Emergency Department Services. Spohn shall maintain a designated Level II Trauma Services Center in Corpus Christi, Texas, in conformity with the rules promulgated by the Texas Department of State Health Services. The parties acknowledge and agree that there may be a brief period of time immediately prior to and/or immediately following the demolition or cessation of the operations of CHRISTUS Spohn Hospital – Corpus Christi (“Memorial”) that CHRISTUS Spohn Hospital – Corpus Christi (“Shoreline”) is designated as “in active pursuit” of Level II Trauma Services Center designation; provided, however, the parties acknowledge and agree that, while Shoreline is “in active pursuit” of Level II Trauma Services Center designation, Spohn shall operate Shoreline’s trauma center at the same level as a designated Level II Trauma Center. Notwithstanding anything herein to the contrary, Spohn shall be prohibited from ceasing operations at or demolishing Memorial until Shoreline’s trauma center has received, or is “in active pursuit” of, Level II Trauma status.

2.4 Disaster Preparedness. In accordance with hospital regulatory requirements, Spohn shall at all times maintain disaster preparedness, leveraging resources within and outside of the Coastal Bend Region in case of a large-scale emergency, and enlisting emergency resources from other communities in the case of a catastrophic event. Spohn shall review its emergency preparedness plans and conduct drills locally, regionally and at a state level to ensure systemic knowledge of the standard operating procedures during an emergency.

2.5 Shoreline Renovations. During the term of the Agreement, Spohn shall provide consistent levels of inpatient and outpatient services necessary to meet the needs of the Indigent. Prior to ceasing operations at or closing Memorial, as contemplated in the September 10, 2014 Letter of Intent between Spohn and the District, Spohn will:

- a. Complete the construction to the Shoreline Emergency Department to ensure that the Nueces County community will have constant access to an emergency department. Spohn shall ensure that such initial refurbishment and enhancement of Shoreline’s Emergency Department will include the construction or renovation of at least thirty-nine (39) emergency department treatment beds/emergency department beds, subject to no more than a ten percent (10%) variance following Spohn’s receipt of a patient flow assessment and related construction design considerations from Spohn’s architect. Spohn will also evaluate and, as appropriate, modify the number of emergency department treatment beds and emergency department beds at Shoreline in the future based on outpatient demand and community need.

- b. Expand its number of staffed inpatient beds at Shoreline to a minimum of four hundred and six (406) staffed beds. Spohn's expansion of Shoreline will additionally include shelled space at Shoreline to enable future inpatient growth, as necessary.
- c. Provide office space and a training center for the medical residents participating in Spohn's Graduate Medical Education ("GME") program at Shoreline.

2.6 Ongoing Monitoring. As part of Spohn's redesign of Shoreline (including, without limitation, the Shoreline Emergency Department), Spohn's construction of the new Hector P. Garcia – Memorial Family Health Center, and Spohn's ongoing operation of healthcare facilities in Nueces County, Spohn will monitor community needs and factors impacting the community, including the growing population in Nueces County, the increased number of freestanding emergency departments, the increasing availability of primary care in the community, availability of behavioral health services, and other factors impacting patients served by Spohn. Subsequent to the demolition of Memorial and the expansion of services provided at Shoreline, Spohn will monitor these factors and make reasonable adjustments at Spohn's healthcare facilities to respond to community needs.

2.7 Graduate Medical Education. Spohn will maintain at least two GME programs with comprehensive resident training applicable to such programs. Spohn will maintain, support, and fill at least the number of resident slots needed to obtain Medicare payments at its current annual Medicare full-time equivalent GME cap. Spohn's GME program resident training will continue to occur at various care sites, in order to ensure a comprehensive training experience.

2.8 Clinic Services. The clinic services available at Memorial as of September 10, 2014 will continue to be available in the Dr. Hector P. Garcia – Memorial Family Health Center. These include the current and the expanded services listed below:

- a. Adequate and appropriately furnished and equipped space within the Dr. Hector P. Garcia-Memorial Family Health Center for twelve (12) District enrollment counselors and one (1) receptionist. The District and Spohn also agree to evaluate the future need for such space for District enrollment counselors and, if agreed to, modify such space in the future, including potentially providing space within Shoreline for District enrollment counselors;
- b. Extended Dr. Hector P. Garcia-Memorial Family Health Center hours to include operating 24 hours on Thursday, Friday and Saturday for non-scheduled visits, with future adjustments to such hours of operation based on patient demand and community need, including potentially operating 24 hours in the health center on Sunday, Monday, Tuesday, and Wednesday in addition to Thursday, Friday, and Saturday; provided

Spohn will not reduce the number of days the Dr. Hector P. Garcia-Memorial Family Health Center operates 24 hours for at least six (6) months;

- c. Faculty and residency clinic focused on primary care services (family medicine);
- d. Specialty clinics, including urology, cardiology, neurology, endocrinology, orthopedics, and post-trauma care;
- e. Clinic outpatient pharmacy services and medication counseling education;
- f. X-ray and laboratory services;
- g. Social services;
- h. Community health/transition care workers to assist patients and families in navigating needed healthcare services;
- i. Behavioral health counseling;
- j. Wellness and prevention education for both patient and families, including help with appropriate diet and lifestyle;
- k. Management of ongoing diseases such as diabetes, heart conditions, and high blood pressure; and
- l. Support of spiritual needs through availability of an onsite prayer room.

2.9 Books and Records. At all times during the term hereof, Spohn shall cause accurate books and records of account and medical records to be maintained as are necessary to permit the verification of the Health Care Services provided by Spohn to Indigents, Spohn's standard charges relating to providing Health Care Services, Spohn's standard charges on the date thereof, and the amount of any payment received by Spohn pursuant to Medicare, Medicaid, CHAMPUS, Universal Governmental Plan or other third-party payor in respect of Health Care Services.

- a. The District shall have the right, at the District's expense, to inspect, examine, and copy, to the extent permitted by applicable law, such portion of the books, records, files, and other documents maintained by Spohn, including, for example, but not by limitation, Spohn's charge-masters, as are reasonably necessary for the District to verify the matters listed in this Section 2.9.
- b. The District agrees that the information which will be made available to the District, its officers, employees and agents (collectively, "Agents") pursuant to Section 2.9 is of a confidential and proprietary nature. The

District agrees that it will and will use its reasonable efforts to cause its Agents to maintain the confidentiality of all such information and only to disclose such information to such duly authorized persons as are necessary to confirm the services provided by Spohn hereunder. Notwithstanding the foregoing, the District and its Agents shall comply with the provisions of the Health Insurance Portability and Accountability Act of 1996, as amended (“HIPAA”), and the Health Information Technology for Economic and Clinical Health Act, as amended (“HITECH Act”), together with the rules adopted thereunder, for any “protected health information” (as such term is used in HIPAA and the HITECH Act) received from Spohn. The District further agrees that the District will not, and will use its reasonable efforts to cause its Agents not to, use any such information in any way to compete with or to permit others to compete with Spohn or successors or assigns or in a manner which would be detrimental to the business, financial affairs or reputation of Spohn or its successors and assigns. The District for itself and its Agents recognizes that any breach of this Section would result in irreparable harm to Spohn and that therefore Spohn shall be entitled to an injunction to prohibit any such breach by the District or its Agents, in addition to all other legal and equitable remedies available to Spohn. Nothing in this Section shall prohibit the use of such confidential information for such governmental filings as are required by law or governmental regulations or the disclosure of such confidential information if such disclosure is compelled by judicial or administrative process or, in the opinion of the District’s counsel, other requirements of law.

- 2.10 **Hospital License.** Spohn shall provide the District with formal documentation of its hospital license(s) issued by the Department of State Health Services or other licenses or permits required with respect to the Spohn Facilities and shall promptly notify the District of any revocation or suspension of any such license or permit issued with respect to any Spohn Facility.
- 2.11 **Non-Discrimination.** Spohn shall not discriminate in the provision of Health Care Services to any person on the basis of such person’s status as an Indigent; provided, however, that, except as expressly stated in this Schedule 2, this covenant shall not require Spohn to provide any services to any person other than such Health Care Services, as defined herein. Spohn shall require any subcontractor that provides Health Care Services to include in its subcontract with Spohn: (a) a nondiscrimination clause similar to the language contained in this Section 2.11 and (b) a covenant to include such a clause in any subcontract between such subcontractor and any of its subcontractors that provide Health Care Services.
- 2.12 **Regulatory Requirements.** Spohn will operate the Spohn Facilities at all times in compliance with federal, state and local law, rules and regulations, and all accepted and approved methods and practices of medicine for all Health Care Services rendered to Indigents.

- 2.13 Medicare and Medicaid Participation. Spohn shall cause Spohn Facilities to become qualified for participation in the Medicare and Medicaid programs or any Universal Governmental Plan and shall maintain such qualifications throughout the term.
- 2.14 Hospital Accreditation. Spohn shall cause each hospital that constitutes a Spohn Facility to obtain and maintain during the term its accreditation as a general hospital by The Joint Commission or comparable accreditation body (including the Medicare Certification Program) if such comparable accreditation body is acceptable for purposes of obtaining and maintaining educational accreditation for the Family Practice Residency Program affiliated with the District or Spohn.
- 2.15 Submission of Informational Claims. Spohn will timely submit to the District periodically, on standard industry claim forms, either in electronic format or hard-copy report format, informational claims describing all Health Care Services provided to Indigent patients. As a matter of convenience, Spohn may submit such claims to the District on a periodic batch submission basis.
- 2.16 Monthly Operating Committee. The Monthly Operating Committee shall be composed of at least three (3) members appointed by Spohn and at least three (3) members appointed by the District. In addition, each of the parties' governing boards may send at least one (1) voting member of its board to each meeting. The Monthly Operating Committee shall be established to meet and discuss the provision of Health Care Services on a monthly basis, and to identify and define operating problems and issues. If at any time, the District and Spohn mutually agree to meet more or less regularly, then such revised periodic meeting schedule will become effective. The District and Spohn will jointly adopt an agenda for such meetings and determine the reports which will be required at such meetings. The approved minutes and all reports presented during the meetings will be retained consistent with the parties' respective document retention policies.
- 2.17 Spohn's Health Care Services. Spohn agrees and expressly covenants with the District to provide or arrange for the provision of Health Care Services to any Indigent that presents himself or herself to Spohn for medical aid or hospital care.
- 2.18 Eligibility Criteria and/or Benefit Modifications. Historically, the Indigent income eligibility guidelines used by the District in determination of eligibility for services under the Nueces Aid Program ("Eligibility Criteria") were set at a level up to 150% of the federal poverty level as published annually in the Federal Register ("FPL"). Effective May 25, 2007, the initial "Base Enrollment" was calculated to be 11,924 Nueces Aid Program enrollees (*i.e.*, the product of (i) the 10,840 Nueces Aid Program enrollees on November 30, 2006 multiplied by (ii) 1.10). Base Enrollment shall be adjusted effective as of January 1 of each year during the term of the Agreement to reflect the Annual Inflation Adjuster (not to exceed 7.99% in any given year) (*i.e.*, the Base Enrollment for the applicable year shall mean an amount equal to the sum of the prior year's Base Enrollment multiplied by the annual inflation adjuster (not to exceed 7.99% in any given

year) plus the prior year's Base Enrollment); provided, however, Base Enrollment shall not be adjusted in any given year to exceed 16,000 Nueces Aid Program enrollees. On November 30, 2012 and as of November 30 annually thereafter, the District shall determine the number of persons enrolled in the Nueces Aid Program to determine whether the Nueces Aid Program enrollment has exceeded the Base Enrollment applicable to such year. If at any such time enrollment in the Nueces Aid Program exceeds the Base Enrollment applicable to such year, the District will initiate adjustments to the Eligibility Criteria, to be effective the following March 1, to a percentage of the FPL projected by the District to bring enrollment in the Nueces Aid Program to a number of enrollees equal to or less than the Base Enrollment applicable to such year by the following November 30 after such Eligibility Criteria adjustments are initiated; provided, however, the District shall in no event be required to adjust the District's Eligibility Criteria to less than 100% of the FPL. The parties acknowledge that the District's base Eligibility Criteria are currently set in the Handbook at 150% of the FPL and that the Handbook may be amended only upon approval in writing of the nonrequesting party.

- 2.19 Disease Management Programs. Spohn shall cooperate with the District in the development, achievement, and ongoing operation of disease management programs established by the District.
- 2.20 Preventive Health Care and Beneficiary Outreach Programs. Spohn and the District shall cooperate in the development of preventive care programs, including the delineation of Preventive Health Care Services in the Handbook and beneficiary outreach programs designed to inform Indigents of the availability of and procedures to access such services.
- 2.21 Efficient Operation and Networking. Spohn shall use reasonable efforts to operate the Spohn Facilities in an efficient, cost-effective manner. Spohn will use reasonable efforts to work with the medical staff of each of the Spohn Hospitals to develop an area-wide approach to managed care and networking and to maintain a balanced provider network for the benefit of the citizens of Nueces County in order to continue to offer quality and economically feasible medical aid and health care services within Nueces County.
- 2.22 Non-interference; Sole Provider Status.
- a. To the greatest extent permitted by law, the District agrees that during the term of the Agreement, the District shall not directly or indirectly, without Spohn's prior written consent, which Spohn may withhold in its sole discretion, (i) own, lease, manage, operate or participate in the management or operation of any hospital, ambulatory surgery center, clinic or other health facility located in Nueces County, Texas; (ii) invest or participate in any other health care facilities or health care organizations in Nueces County, Texas; or (iii) provide inpatient, outpatient or any other medical service in Nueces County, Texas other than at the Spohn Facilities

in accordance with this Schedule 2 and Schedule 1 of the Agreement. In the event that Spohn has elected not to exercise its rights under Section 2.23, the District may provide or fund the delivery of medical aid or hospital care to the Indigent that was not then provided by Spohn to the residents of Nueces County at the time Spohn elected not to exercise its rights of first refusal under Section 2.23. The District hereby acknowledges and agrees that prior to the District's transfer, distribution, allocation or payment of Two Million Dollars (\$2,000,000) or more of the District's funds in one or a series of transactions, to an Affiliate of the District or any governmental entity (other than the Texas Health and Human Services Commission), the District shall cause such Affiliate or governmental entity to enter into a non-compete agreement with Spohn.

- b. To the greatest extent permitted by law, except as otherwise agreed by the District and Spohn or as results from implementation of the Medicaid Waiver in Nueces County and the surrounding region, the District hereby acknowledges and agrees that, during the term, Spohn shall be the exclusive provider, subject to the specific exceptions set forth in Section 2.22(a), of all services funded and/or provided by the District to residents of Nueces County.

2.23 Right of First Refusal. In recognition of Spohn's agreement to provide or arrange for the provision of certain health care services, the District hereby grants Spohn a "right of first refusal" to provide any additional services (including locations for the delivery of services) which the District intends to fund and/or provide to any resident of Nueces County, Texas. If at any time during the term, the District shall desire to provide any such additional services to the residents of Nueces County, Texas, Spohn shall have the right of first refusal to provide such services pursuant to the procedure set forth herein. With respect to each additional service or group of services proposed to be provided, the District and Spohn shall negotiate in good faith for the purpose of establishing the terms and conditions upon which Spohn shall provide such additional service or expand the number of locations in which Spohn provides existing services. In the event the District and Spohn are unable to reach a definitive agreement following a reasonable period of negotiation between the parties, the District shall be permitted either (i) to directly engage in such service without further consent or right of first refusal by Spohn or (ii) to unilaterally develop a proposed written agreement (the "Care Agreement") setting forth the terms and conditions upon which the District is willing to contract with a third party for the delivery of services. The District acknowledges and agrees that in the event that the District begins to directly provide a service and then subsequently elects to seek a subcontractor for such service through a third party, Spohn's right of first refusal hereunder shall apply. In the event the District elects to develop a Care Agreement, the District shall submit the proposed Care Agreement to Spohn. Spohn shall have ten (10) days in which to review and execute the Care Agreement. If Spohn shall fail to exercise this right of first refusal by signing and returning one (1) copy of the Care Agreement to the District within ten (10) days after receipt of the Care Agreement, then Spohn shall

be deemed to have given its consent and, at the request of the District, shall confirm such consent in writing for the purposes of Section 2.22, and the District shall have the right to contract with any third party upon terms equal to or better (from the District's perspective) than those set forth in the Care Agreement. Spohn's right of first refusal shall apply to (i) all new services or locations for the delivery of services proposed to be funded by the District and (ii) all contract renewals relating to the proposed continued provision of services by third parties where the terms of the contract being renewed are materially different from the terms of the contract in which Spohn elected not to exercise its right of first refusal under this Section 2.23.

- 2.24 Spohn's Charity Care Commitment. In each full calendar year during the term, Spohn hereby agrees to provide Charity Care through Spohn's health care operations, the Spohn Facilities and any other District owned health care facilities operated by Spohn at an aggregate level at least equal to the greater of (i) Twelve Million Dollars (\$12,000,000), or (ii) the minimum amount of charity care which Spohn is otherwise required by applicable law to provide; provided, however, the parties shall meet and adjust such charity care financial commitment, as appropriate, in the event a Universal Governmental Plan is implemented.

3 INDIGENT PRECERTIFICATION PROCESS

- 3.1 Indigent Registry and Identification Card Procedures. The District will develop and continuously maintain a registry of persons who make application and whom it determines to be Indigents, and the District will deliver copies of such registry to Spohn. A copy of the registry shall be maintained at the Nueces County Facilities, and at such other locations as Spohn, in its reasonable discretion, determines are necessary or appropriate for the delivery of Health Care Services hereunder. Additionally, the District shall provide each Indigent with a patient identification card identifying her or him as being entitled to receive Health Care Services hereunder. Such patient identification card shall be valid for the period of time set forth in the Handbook. The District will issue new patient identification cards on an ongoing basis, but renewed as to Indigents after determining a person's status (or continued status) at such time as an Indigent. Spohn may require presentation of a valid patient identification card, after making reasonable and good faith efforts to verify the identity of the person presenting himself/herself as an Indigent, for such Indigent to be eligible to receive Health Care Services. Spohn shall make reasonable and good faith efforts to determine whether a person presenting himself/herself for services who otherwise is uninsured is included within the registry. Spohn shall require any subcontractor that provides Health Care Services to include in its subcontract with Spohn (a) a covenant to comply with the provisions in this section, and (b) an agreement to include such a covenant in any subcontract between such subcontractor and any of its subcontractors that provide Health Care Services.
- 3.2 Covenant to Provide Handbook. The District shall provide to Spohn a copy of the Handbook, including any revisions or modifications thereto, containing the

procedures to determine the status of persons residing in the District as Indigents and their eligibility for Health Care Services.

- 3.3 Amendments to the Handbook. The Handbook may be amended or modified from time to time upon the request of either party and upon approval of both parties. It is acknowledged by both parties that the Handbook may be subject to revision to conform to any applicable legal requirements. In the event such legal requirements mandate amendment or modification of the Handbook, the District shall make such amendments or modifications without the written approval of Spohn; provided, however that the District shall promptly give notice to Spohn of such legal requirements requiring amendment or modification and a copy of the Handbook as amended or modified in accordance therewith.

**CHRISTUS SPOHN HEALTH SYSTEM CORPORATION
AMENDED AND RESTATED MEMBERSHIP AGREEMENT**

This AMENDED AND RESTATED MEMBERSHIP AGREEMENT (the "Agreement") is effective as of November 18, 2015 ("Amendment Date") by and between CHRISTUS Spohn Health System Corporation ("Spohn"), a Texas nonprofit corporation, CHRISTUS Health ("CHRISTUS Health"), a Texas nonprofit corporation, each created under the Texas Nonprofit Corporations Act, codified at Chapter 22 of the Texas Business Organizations Code ("Nonprofit Corporations Act"), and the Nueces County Hospital District (the "District"), a body politic and corporate and a political subdivision of the State of Texas, established and created pursuant to Article IX, Section 4 of the Texas Constitution and Chapter 281 of the Texas Health and Safety Code, as amended (the "Act"). This Agreement replaces and supersedes, as of the Amendment Date, the CHRISTUS Spohn Health System Corporation Membership Agreement that was effective as of October 1, 2012 (the "Original Membership Agreement"). Spohn, CHRISTUS Health, and the District are sometimes referred to herein individually as "party" or collectively as "parties." When referring to CHRISTUS Health or the District in their capacities as members of Spohn, CHRISTUS Health and the District are sometimes referred to herein individually as "Member" or collectively as "Members."

RECITALS

WHEREAS, the District was created to provide or arrange for the provision of medical aid and hospital care to indigent and needy residents residing in Nueces County, Texas and serves as the payor of last resort for health care services provided to those indigent and needy residents;

WHEREAS, the District is authorized under the Act and under Section 285.091 of the Texas Health and Safety Code to contract, collaborate, or enter into a joint venture with any public or private entity as necessary to carry out the functions of or provide services to the District;

WHEREAS, the District is empowered by the Act and Section 61.056 of the Indigent Care and Treatment Act, codified at Chapter 61 of the Texas Health and Safety Code (as amended from time to time, the "Indigent Health Care Act"), to enter into contracts relating to or arranging for the provision of health care services;

WHEREAS, Spohn is a Texas nonprofit corporation created under the Nonprofit Corporations Act, with certain Member(s) designated in its organizational documents;

WHEREAS, in 2012, the parties entered into the Original Membership Agreement to more closely and comprehensively collaborate in the provision of services in Nueces County, Texas and the surrounding communities by, among other things, adding the District as a co-member of Spohn, entitled to certain rights, duties and responsibilities vested in such membership, including the sharing of certain economic risk for the operations of the public safety-net hospital in Nueces County, Texas;

WHEREAS, Spohn serves as the public, safety-net hospital in Nueces County, Texas by providing care to the indigent and needy (together, “Indigent” as such term is defined in Schedule 2 to this Agreement) population in Nueces County at the CHRISTUS Spohn Hospital Corpus Christi—Memorial, CHRISTUS Spohn Hospital Corpus Christi—Shoreline and CHRISTUS Spohn Hospital Corpus Christi—South hospital facilities (these Spohn hospital facilities along with the clinics, medical offices, and other health care facilities on the campuses of or affiliated with such Spohn hospital facilities that share common Medicare and Medicaid provider agreements are collectively referred to herein as the “Nueces County Facilities”) consistent with the provisions set forth in the Act, the Indigent Health Care Act, and in accordance with the District’s policies;

WHEREAS, as the public, safety-net provider, Spohn and its Nueces County Facilities rely on reimbursement from government programs and the District’s support in their ongoing operations;

WHEREAS, Spohn and the District entered into a Letter of Intent on September 10, 2014, that will permit Spohn to renovate and transform the Nueces County Facilities and the delivery of care to Nueces County residents, consistent with the goals of providing a more robust and comprehensive collaboration focusing efforts on improving the delivery of care, providing more suitable healthcare services to improve the health of the community, reducing duplication of services, achieving efficiencies, and reducing the overall costs of care;

WHEREAS, CHRISTUS Health and the District have mutually agreed to the Member support each shall provide to Spohn as part of and for the duration of this Agreement as set forth in Article II below; and

WHEREAS, CHRISTUS Health and its members shall retain those reserved powers set forth in Spohn’s Bylaws.

NOW, THEREFORE, in consideration of the premises, the mutual benefits to the parties to be derived from their co-membership in Spohn and the obligations and responsibilities of each party set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree, with the intent to be legally bound, as follows:

ARTICLE I. SPOHN AS A PUBLIC SAFETY-NET HOSPITAL

Section 1.01. Public Safety-Net Hospital and Delivery of Indigent Care Services. Spohn has operated and will continue, during the term of this Agreement, to operate a safety-net hospital available for the provision of inpatient and outpatient hospital services to the Indigent residents in Nueces County, Texas at the Nueces County Facilities as more fully set forth in Section 6.03 and Schedule 2 of this Agreement.

Section 1.02. Graduate Medical Education. During the term of this Agreement, Spohn will maintain at least two Graduate Medical Education (“GME”) programs in medical specialties appropriate to community needs with comprehensive resident training applicable to such programs. Spohn will maintain, support, and fill at least the number of residents slots needed to obtain Medicare payment at Spohn’s annual Medicare full-time equivalent GME cap.

Section 1.03. Trauma Services. Spohn shall provide trauma services within the Nueces County Facilities, including maintaining at least one state-designated Level II Trauma Services Center in Corpus Christi, Texas at all times during the term of this Agreement or be in “active pursuit” of achieving such Level II Trauma Services Center state-designation as described more fully in the September 10, 2014 Letter of Intent.

Section 1.04. Clinic Services. Upon Spohn’s completion of renovation of the Nueces County Facilities as described more fully in the September 10, 2014 Letter of Intent, Spohn shall continue to make available at the new family health center facility (“Family Health Center”) that will be constructed on the CHRISTUS Spohn Hospital Corpus Christi – Memorial campus (“Memorial Campus”) the services and facilities listed below:

- i. Adequate space within the Family Health Center for twelve (12) District enrollment counselors and one receptionist. The District and Spohn also agree to evaluate the future need for such space for District enrollment counselors and, if agreed to between the District and Spohn, modify such space in the future, including potentially providing space within CHRISTUS Spohn Hospital Corpus Christi—Shoreline for District enrollment counselors;
- ii. Extended Family Health Center hours to include operating 24 hours on Thursday, Friday and Saturday for non-scheduled visits, with future adjustments to such hours of operation based on patient demand and community need, including potentially operating 24 hours in the health center on Sunday, Monday, Tuesday, and Wednesday in addition to Thursday, Friday, and Saturday; provided Spohn will not reduce the number of days the Family Health Center operates 24 hours for at least six (6) months;
- iii. Faculty and residency clinic focused on primary care services (family medicine);
- iv. Specialty clinics, including urology, cardiology, neurology, endocrinology, orthopedics, and post-trauma care;
- v. Clinic outpatient pharmacy services and medication counseling education;
- vi. X-ray and laboratory services;
- vii. Social services;
- viii. Community health/transition care workers to assist patients and families in navigating needed healthcare services;
- ix. Behavioral health counseling;
- x. Wellness and prevention education for both patients and families, including help with appropriate diet and lifestyle;
- xi. Management of ongoing diseases such as diabetes, heart conditions, and high blood

pressure; and

- xii. Support of spiritual needs through availability of an onsite prayer room.

ARTICLE II. CO-MEMBERSHIP IN SPOHN

Section 2.01. CHRISTUS Health. Effective October 1, 2012, CHRISTUS Health continued its status as a Member of Spohn in accordance with the Amended and Restated Certificate of Formation of Spohn (“Certificate”), attached hereto as Exhibit A, and the Amended and Restated Bylaws of Spohn (“Bylaws”), attached hereto as Exhibit B.

Section 2.02. Nueces County Hospital District. Pursuant to the Original Membership Agreement and Spohn’s Bylaws, the District became a Member of Spohn, consistent with and in support of its interest in the continued operation of a public, safety-net hospital in Nueces County, Texas, the District’s mandate to provide or arrange for the provision of health care to the Indigent residents of Nueces County, Texas (as described in the Nueces County Hospital District Indigent Healthcare Program Handbook (“Handbook”) and in accordance with the terms and conditions set forth in this Agreement), and with the District’s mandate to provide or arrange for the provision of health care services for the Indigent residents of Nueces County under the Texas Constitution and the Act as the payor of last resort. Throughout the term of this Agreement, the District and CHRISTUS Health shall remain Members of Spohn.

Section 2.03. Member Operational Support of Spohn. Each Member shall provide to Spohn the managerial skills, expertise, and available resources to permit Spohn to operate the public safety-net hospital in Nueces County, Texas. While CHRISTUS Health and the Spohn Board of Directors shall provide management personnel for the day-to-day operations of Spohn, both Members shall advise Spohn, through its Board of Directors, on steps that can be taken to improve the delivery of healthcare services to the Indigent residents of Nueces County, Texas who present for hospital, clinic, and certain medical services at the Nueces County Facilities and other Spohn facilities.

- (a) CHRISTUS Health Operational Support. During the term of this Agreement, and notwithstanding any reserved power set forth in Spohn’s Bylaws, CHRISTUS Health shall permit Spohn to retain its title and ownership of, and the right to use and operate the campuses known as CHRISTUS Spohn Hospital Corpus Christi—Shoreline and CHRISTUS Spohn Hospital Corpus Christi—South. Spohn shall continue to provide health care services on the Memorial Campus provided by the District—or any successor facilities following a material alteration of the Memorial Campus as permitted in accordance with Section 3.9.8 of Schedule 1 to this Agreement—and shall comply with all of Spohn’s obligations regarding the Memorial Campus or the Family Health Center set forth in Schedule 1. Further, to the extent that (i) Spohn acquires, owns, leases, or operates any additional hospital campuses or other facilities located within Nueces County, Texas during the term of this Agreement and (ii) such additional hospital campus(es), clinics, practices or other facility(ies) is (are) consolidated with the Nueces County Facilities for purposes of participation in the Medicare and Medicaid programs, then CHRISTUS Health and Spohn hereby agree that such additional campus(es) or other facility(ies) shall be treated as part of Spohn’s “Nueces County Facilities”

for purposes of this Agreement. Any hospital campuses or other facilities owned or operated by CHRISTUS Health and/or Spohn that are not consolidated with the Nueces County Facilities for purposes of Spohn's participation in the Medicare and Medicaid programs shall be excluded from the definition of "Nueces County Facilities," regardless of where located. CHRISTUS Health hereby agrees to abide by the terms set forth in Spohn's Bylaws and this Agreement.

- (b) **District Operational Support.** In addition to the obligations set forth in Article V and in Schedules 1 and 2, the District shall during the term of this Agreement provide Spohn the right to occupy, use and operate the CHRISTUS Spohn Hospital Corpus Christi – Memorial hospital facility, the Family Health Center, upon completion, and other facilities and property owned by the District on the Memorial Campus along with the medical office buildings and clinics located at 2601 Hospital Boulevard, 2400 Morgan Avenue, 2500 Morgan Avenue, 1406 Martin L. King Drive, 14202 South Padre Island Drive, and 4617 Greenwood Drive, Corpus Christi, Texas and 1038 Texas Yes Boulevard, Robstown, Texas (together the "District Owned Facilities"). The District hereby agrees to abide by the terms set forth in Spohn's Bylaws and this Agreement, to the extent not inconsistent with the Texas Constitution and the Act.
- (c) **Member Support.** For any fiscal year in which Spohn incurs a "Net Operating Deficit," as defined below, Spohn shall provide written notice of such deficit ("Notice of Net Operating Deficit") to its Members after completing its final financial audit for such fiscal year, but in no event shall Spohn issue any such Notice of Net Operating Deficit later than one hundred and eighty (180) days after the close of such fiscal year. For purposes of this Agreement, for any fiscal year, a "Net Operating Deficit" shall mean the amount by which Spohn's expenses from operating the Nueces County Facilities exceed its revenue from such operations, as determined after (i) excluding (1) expenses for interest, taxes, depreciation, amortization, judgments, settlements, or prior year cost report or other adjustments, (2) management fees paid or payable to CHRISTUS Health or any affiliates for that fiscal year, and (3) any inter-company transfers or extraordinary expenses; and (ii) offsetting proceeds from business interruption, flood, windstorm, or other similar insurance. Upon receipt of a Notice of Net Operating Deficit, each Member and its representatives will be entitled to access and to receive copies of audited financial data and other certified supporting schedules and information substantiating the Net Operating Deficit. To help meet the needs of the indigent residents in Nueces County, Spohn may request that the Members contribute a pro rata share of the Net Operating Deficit, with such "pro rata share" computed on the same basis as the "Specified Annual Percentage" as determined under Section 5.03 below for the fiscal year in which the Net Operating Deficit occurred. Each Member shall contribute its pro rata share of the Net Operating Deficit to Spohn within one hundred and eighty (180) days of receipt of a Notice of Net Operating Deficit.

- (d) Nothing in this Section 2.03 shall obligate any Member to incur any liability to any third party nor shall it confer any benefit on any third party that is not a party to this Agreement.

ARTICLE III. BOARD OF DIRECTORS AND VOTING RIGHTS OF MEMBERS

Section 3.01. Appointment of Directors. All Directors on Spohn's Board of Directors serve staggered terms. It is the intention of the parties that the right to appoint Directors to the Spohn Board of Directors set forth in this Section shall be effected on a staggered basis. The Members shall have the right to appoint Directors to the Spohn Board of Directors as follows:

- (a) In recognition of its role as the hospital operator, CHRISTUS Health may appoint up to twelve Directors to the Spohn Board of Directors, or such other number of Directors as set forth in Spohn's Bylaws; and
- (b) In recognition of its role as the unit of government responsible for ensuring the availability of care to the indigent population in Nueces County and its continued membership interest in Spohn and its support for Spohn's operations, the District may appoint three Directors to the Spohn Board of Directors, or such other number of Directors as set forth in Spohn's Bylaws.

Section 3.02. Replacement of Current Directors. Consistent with the Bylaws, CHRISTUS Health and the District shall have the right to remove, with or without cause, and replace any Spohn Directors that each, respectively, appointed to Spohn's Board of Directors at any time during the term of this Agreement. The CHRISTUS Board of Directors (as defined in the Bylaws) shall have the right to remove any Spohn Directors that do not meet the qualification criteria set forth in Section 9.2(b)(iii) of Spohn's Bylaws as amended from time to time in accordance with this Agreement.

Section 3.03. Voting Rights. The District shall have the authority to approve or disapprove any amendments or revisions to Spohn's Bylaws that alter or impair the District's reserved powers set forth in Spohn's Bylaws and this Agreement including, without limitation, the District's reserved power to receive transfers of assets of Spohn in accordance with Article V of this Agreement.

ARTICLE IV. ACCESS TO INFORMATION

Section 4.01. General Access to Information. On a quarterly basis, Spohn shall confer with the District's representatives to review and discuss Spohn's financial results, including its operating income or loss for the most recent quarter then ended and year to date. In addition, all Spohn Board of Directors may have the right to review such information deemed reasonably necessary for the Directors to carry out their duties and responsibilities as Directors of Spohn; provided, however, that any information Spohn in its sole discretion deems to be confidential and/or privileged—whether due to privacy of patient medical records, attorney-client communication, trade secrets, peer review or any other privilege or right of confidentiality—may not be disclosed outside of Spohn's Board of Directors and staff.

Section 4.02. Notification. Spohn agrees, to the extent permitted by applicable law, to notify CHRISTUS Health and the District within ten (10) calendar days of (a) receipt of notice of the commencement of any investigation, audit, formal review or other regulatory action by or on behalf of a federal or state governmental authority involving Spohn or the Nueces County Facilities, including but not limited to such action that involves an allegation of program fraud or abuse, which could be reasonably anticipated to prevent, delay, or substantially and negatively impact the continuing performance of Spohn's duties and obligations under this Agreement; (b) receipt of notice of any finding resulting from any such investigation, audit, formal review, or other regulatory action; (c) receipt of notice of proposed or actual termination, loss or lapse of the Medicare or Medicaid provider agreement of any of the Nueces County Facilities; and (d) the breach, lapse, or inaccuracy of any representation or warranty required under this Agreement. CHRISTUS Health agrees to notify the District in writing immediately upon determining that compliance with the membership distribution provisions in Article V or any other provision of this Agreement does or may potentially cause CHRISTUS Health to be in material breach, default, or violation of the terms of the CHRISTUS Indenture as defined in Section 9.03.

ARTICLE V. MEMBER DISTRIBUTIONS AND SUPPORT

Section 5.01. Net Patient Revenue from Spohn's Nueces County Facilities. As used in this Agreement, the term "Net Patient Revenue" shall mean Spohn's direct cash collections received for the provision of inpatient and outpatient hospital services, including any ancillary and related services, at or through the Nueces County Facilities on or after the Effective Date of the Original Membership Agreement, that are received from patients or third parties responsible for making payments on behalf of such patients. The term "Net Patient Revenue" shall not include any Medicare or CHAMPUS/TRICARE payments, the federal or state share of any Medicaid payments, or Medicaid Waiver or supplemental payments, nor any federal grant funding, paid to Spohn that is not specifically allocated to individual patients' services. Further, the term "Net Patient Revenue" shall not include any revenue generated from the operation or provision of services at any hospital, clinic or other facility that is not consolidated with the Nueces County Facilities for purposes of Spohn's participation in the Medicare and Medicaid programs.

Section 5.02. Establishment of Bank Deposit Accounts. Not later than thirty (30) days following execution of the Original Agreement, Spohn shall authorize Bank of America, N.A., or any successor financial institution ("Bank"), to establish or maintain one or more "Operating Bank Deposit Accounts" in the name of Spohn. Spohn shall deposit the Net Patient Revenue into the Operating Bank Deposit Account(s) at Bank. From the Operating Bank Deposit Account(s), Bank shall upon the direction of Spohn transfer all funds on a daily basis to a "Membership Bank Deposit Account" held at Bank in the name of Spohn. Bank shall transfer upon the direction of Spohn on a weekly basis all available funds deposited into the Membership Bank Deposit Account, by ACH or wire transfer, to accounts designated by CHRISTUS Health and the District, as follows: (i) the "Specified Annual Percentage," as defined below, shall be transferred to CHRISTUS Health's designated account, and (ii) the remaining percentage of such funds shall be transferred to the District's designated account. For each transfer of funds to the District in accordance with this Section 5.02, Spohn hereby affirms that such funds include only qualifying Net Patient Revenue. Notwithstanding the foregoing, to the extent Spohn discovers that any such transfer inadvertently includes any funds that do not qualify as Net Patient

Revenue as defined in Section 5.01, Spohn shall notify the District in writing within five (5) business days of such discovery and shall work collaboratively with the District to correct any such inadvertent discrepancy.

Section 5.03. Member Revenue Allocation Percentage.

- (a) Not later than June 20th each year of this Agreement, Spohn, CHRISTUS Health, and the District shall confer regarding the support necessary for the operations of Spohn over the ensuing year from October 1st of the current calendar year through September 30th of the following calendar year (the "Ensuing Year"). Spohn shall prepare a budget for the Ensuing Year that contemplates any modifications or additions in its provision of services at the Nueces County Facilities, changes in expected patient utilization or demographics in Nueces County, Texas that would alter the need for economic support to Spohn from the Members, and other factors that bear on Spohn's need for financial support in the Ensuing Year. Upon review of the budget, economic resources of Spohn and the Members and other factors, Spohn and the Members shall agree to the percentage of the Net Patient Revenue that will be made available to CHRISTUS Health (the "Specified Annual Percentage"), in exchange for its contributions to support the operations of Spohn, and the remaining percentage of the Net Patient Revenue that will be made available to the District in exchange for its continued support for the operations of Spohn as a public, safety-net hospital in Nueces County, Texas.
- (b) In the event the parties fail to agree to a Specified Annual Percentage by July 1st of any year of this Agreement, then Spohn's Board of Directors, or its designee, shall determine the Specified Annual Percentage for the Ensuing Year. Notwithstanding the foregoing, the Specified Annual Percentage for the first year of this Agreement shall be established on or before October 1, 2012. The parties may mutually agree in writing to extend the July 1st deadline during any year of this Agreement, so long as the parties reach agreement for the Ensuing Year prior to August 15th of such year. Both Spohn and the Members agree to take all reasonable measures to ensure that the Bank has whatever information it may require to authorize and implement the Net Patient Revenue allocations and transfers set forth in this Article V.
- (c) Nothing in this Agreement shall provide the District with any right to share in any revenue generated from the operations of any or all of Spohn's hospitals or other facilities that are excluded from the defined term "Nueces County Facilities."

ARTICLE VI. MAINTENANCE OF EFFORT

Section 6.01. Maintenance of Effort. The parties to this Agreement recognize Spohn's historical role as the safety-net hospital for indigent patients in the Nueces County community as more fully described in Section 6.03 of this Agreement, as well as the role of the District Owned Facilities in facilitating Spohn's role in serving indigent patients in the Nueces County community. The parties intend for this role to continue during the term of this Agreement.

Section 6.02. Spohn's Occupancy of the Memorial Facility and Related Matters. During the term of this Agreement, Spohn's occupancy of the District Owned Facilities will be governed by the terms set forth in Schedule 1, attached.

Section 6.03. Spohn's Indigent Care Services. Spohn has historically served as the safety net hospital for the Nueces County Indigent population, and the parties intend for that role to continue during the term of this Agreement. Except as otherwise set forth in the Handbook, during the term of this Agreement, Spohn will continue to provide health care services to Indigents that present for care at its facilities in conformity with the provisions set forth in the Handbook, which shall include at a minimum such level of service as is presently being delivered by Spohn to such Indigents. Spohn shall be responsible for ensuring the availability of inpatient and outpatient psychiatric and behavioral health services for Nueces County Indigent patients, including ensuring that inpatient psychiatric Nueces County Indigent patients have access to medications upon discharge, providing transportation services between Spohn's inpatient psychiatric facilities and Spohn's off-site service facilities for Nueces County Indigent patients requiring psychiatric and/or medical services, and fulfilling Spohn's other psychiatric and behavioral health commitments as more fully described in the September 10, 2014 Letter of Intent. The determination of whether an individual is an "Indigent" eligible to receive health care services from Spohn shall be made by the District in accordance with the eligibility standards and procedures from time-to-time established by the District, and set forth in the Handbook, as amended in accordance with Section 3.3 of Schedule 2, attached. Spohn shall continue to provide healthcare services to Nueces County Indigent patients pursuant to the terms set forth in Section 1.01 of this Agreement and Schedule 2, attached.

Section 6.04. District Maintenance of Efforts to Support Health Care Services. The parties acknowledge that the District does not set or otherwise control its tax rate. Subject to such limitation, the District agrees to a "maintenance of effort" commitment to request and diligently advocate for the establishment of an "effective" tax rate at a level to produce at least \$31.454 million per year in District tax revenues; provided, however, the parties agree to amend such maintenance of effort commitment of the District to reflect the reduced Nueces Aid Beneficiary enrollment and potential related reduction in the effective tax rate at the earlier of one or more of the following contingencies: (1) in the event of the implementation of an expanded Texas Medicaid program comparable to that contemplated by the Patient Protection and Affordable Care Act, or (2) September 30, 2026, in the event this Agreement is extended through such date.

ARTICLE VII. REPRESENTATIONS AND WARRANTIES

Section 7.01. District Representations and Warranties.

The District represents and warrants to CHRISTUS Health and Spohn as follows:

- (a) The District is a validly existing county hospital district and political subdivision of the State of Texas established pursuant to Article 9, Section 4 of the Texas Constitution and Chapter 281 of the Texas Health and Safety Code.

- (b) To the District's knowledge, the District has full power and authority to carry out and perform its undertakings and obligations as provided in this Agreement, including the execution, delivery and performance of this Agreement and related agreements and documents. This Agreement will constitute the legal valid and binding obligation of the District, enforceable against the District in accordance with its terms, except to the extent such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws of general application relating to creditors' rights. The execution, delivery and performance by the District of this Agreement (i) have been duly and validly authorized by all proper and requisite action of the District's Board of Managers and the Nueces County Commissioners Court, (ii) will not conflict with, violate, constitute an event of default under or breach any provision of any binding order or resolution of the District's Board of Managers or the Nueces County Commissioners Court, or (iii) to the knowledge of the District, will not conflict with, violate, breach or constitute any default under any contract, agreement or arrangement to which the District is a party or by which the District is bound.

Section 7.02. CHRISTUS Health Representations and Warranties. CHRISTUS Health represents and warrants to Spohn and the District as follows:

- (a) CHRISTUS Health is a nonprofit corporation duly organized, validly existing and in good standing under the laws of the State of Texas. CHRISTUS Health has the corporate power and authority to carry on its business as now conducted.
- (b) To CHRISTUS Health's knowledge, CHRISTUS Health has full power and authority to carry out and perform its undertakings and obligations as provided in this Agreement, including the execution, delivery and performance of this Agreement and related agreements and documents. This Agreement will constitute the legal valid and binding obligation of CHRISTUS Health, enforceable against CHRISTUS Health in accordance with its terms, except to the extent such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws of general application relating to creditors' rights. The execution, delivery and performance by CHRISTUS Health of this Agreement (i) have been duly and validly authorized by all proper and requisite action of CHRISTUS Health's Board, (ii) will not conflict with, violate, constitute an event of default under or breach any provision of any binding order or resolution of CHRISTUS Health's Board, or (iii) to the knowledge of CHRISTUS Health, will not conflict with, violate, breach or constitute any default under any contract, agreement or arrangement to which CHRISTUS Health is a party or by which CHRISTUS Health is bound.

Section 7.03. Spohn Representations and Warranties. Spohn represents and warrants to CHRISTUS Health and the District as follows:

- (a) Spohn is a nonprofit corporation duly organized, validly existing and in good standing under the laws of the State of Texas. Spohn has the corporate power and authority to carry on its business as now conducted.

- (b) To Spohn's knowledge, Spohn has full power and authority to carry out and perform its undertakings and obligations as provided in this Agreement, including the execution, delivery and performance of this Agreement and related agreements and documents. This Agreement will constitute the legal, valid, and binding obligation of Spohn, enforceable against Spohn in accordance with its terms, except to the extent such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws of general application relating to creditors' rights. The execution, delivery and performance by Spohn of this Agreement (i) have been duly and validly authorized by all proper and requisite action of Spohn's Board of Directors, (ii) will not conflict with, violate, constitute an event of default under or breach any provision of any binding order or resolution of Spohn's Board of Directors, or (iii) to the knowledge of Spohn, will not conflict with, violate, breach or constitute any default under any contract, agreement or arrangement to which Spohn is a party or by which Spohn is bound.
- (c) The execution, delivery, and performance of this Agreement by Spohn will not, (i) conflict with or violate the Certificate or Bylaws of Spohn, (ii) conflict with or violate any law applicable to Spohn or by which any property or asset of Spohn is bound or affected, or (iii) result in any material breach of or constitute a material default (or an event which with notice or lapse of time or both would become a material default) under, give to others any right of termination, amendment, acceleration or cancellation of, or result in the creation of a lien or other encumbrance on any material property or asset of such person pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Spohn is a party or by which Spohn is bound or affected, except in the case of clauses (ii) and (iii) for any such conflicts, violations, breaches, defaults or other occurrences which would not, individually or in the aggregate, prevent or materially delay the performance by Spohn of its obligations under this Agreement.
- (d) Except as disclosed to CHRISTUS Health and the District in writing, there is no litigation action or claim pending or, to the knowledge of Spohn, threatened against or relating to Spohn, nor, to the knowledge of Spohn, is there any basis for any such action or claim, which, if determined adversely to the interest of Spohn, would prevent or delay the consummation of the transactions contemplated by this Agreement or would have a material adverse effect on the business operations or financial condition of Spohn. For purposes of this Section 7.03, materiality includes items involving amounts exceeding Ten Million Dollars (\$10,000,000) individually or in the aggregate.
- (e) Spohn has all licenses, permits and authorizations of applicable governmental entities materially necessary for the conduct of the business of the Nueces County Facilities. Spohn has possession of all licenses, permits and authorizations issued to it and in its name, and all such licenses, permits and authorizations are as of the date of this Agreement and shall be in full force and effect at the Amendment Date. To Spohn's knowledge, no material violations are or have been recorded in respect of such licenses, permits and authorizations, and no proceeding is pending

or, to the knowledge of Spohn, threatened seeking the revocation or limitation of any of such Spohn licenses, permits and authorizations. Notwithstanding the foregoing, Spohn has not obtained all of the necessary licenses, permits and authorizations for the proposed re-purposing of the Nueces County Facilities but Spohn represents and warrants that it will do so in accordance with applicable rules for the construction, renovation and/or demolition of healthcare facilities located in Corpus Christi, Texas.

- (f) Spohn is a "Provider" under existing provider agreements for the Nueces County Facilities with the applicable Medicare and Medicaid authorities, and prior to the date hereof, CHRISTUS Health and the District have had the opportunity to review current and complete copies of such agreements, if any, and all notices of program reimbursement and notices of deficiencies relating to and materially affecting Spohn's participation in the Medicare and Medicaid programs for the last three (3) fiscal years of Spohn ending prior to the Amendment Date.
- (g) Spohn has timely filed all requisite cost reports and other material reports for the Nueces County Facilities required to be filed in connection with all state and federal Medicare and Medicaid programs due on or before the date hereof, which are to Spohn's knowledge complete and correct.
- (h) To Spohn's knowledge, Spohn has in all material respects complied with, and is now in all material respects in compliance with, all applicable laws. Spohn shall provide CHRISTUS Health and the District copies of the public inspection copy of its Internal Revenue Service Form 990 ("Form 990") for each of the last three (3) fiscal years of Spohn ending prior to the Amendment Date. Spohn represents that such Form 990s are in accordance with the books and records of Spohn, have been prepared in accordance with GAAP, consistently applied throughout the periods covered therein, and fairly present the financial condition and results of operation of Spohn.
- (i) During the current Spohn fiscal year-to-date and last three (3) fiscal years of Spohn ending prior to the Amendment Date, Spohn has actively maintained a compliance program consistent with CHRISTUS Health compliance program and that complies with the requirements of the Office of Inspector General for an effective compliance program.

ARTICLE VIII. LIABILITY AND INDEMNIFICATION OF MEMBERS

Section 8.01. Limitation on Members' Liability. Neither Member shall be held liable for the acts of Spohn as a result of serving as a Member in the corporation, nor shall any Member be held liable for the acts of Spohn because of its participation in this Agreement. Nothing in this Agreement is intended to create, nor does it create, any rights or benefits to third parties enforceable against any Member of Spohn. The Members do not by this Agreement assume any of the obligations, liabilities or debts of Spohn (including, without limitation, any bond indebtedness), and shall not, by virtue of their performance under this Agreement, assume or

become liable for any of such obligations, debts or liabilities of Spohn, except for any obligations created under Section 2.03 of this Agreement.

Section 8.02. Indemnification.

- (a) Indemnification of Members, Officers, and Directors of Spohn. To the fullest extent permitted by law, Spohn shall defend, indemnify and hold harmless the Members, their officers, agents and employees, and the Directors of Spohn (“Indemnified Parties”) who were or are parties or are threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (including any action by or in the right of Spohn or the Members) by reason of any acts, omissions or alleged acts or omissions arising out of an Indemnified Party’s (i) activities as a Member, Director, officer, manager, or employee of Spohn, or as a partner, manager, officer, director, employee of a Member, on behalf of Spohn or in furtherance of the interest of Spohn, or (ii) performance of such Indemnified Party’s obligations under this Agreement from and against any and all liabilities, losses, costs, damages, or expenses, unless any such damages arise from the bad faith or gross negligence of such Indemnified Party(ies). The termination of any action, suit, or proceeding by judgment, order, settlement, or upon a plea of nolo contendere or its equivalent, will not of itself create a presumption that an Indemnified Party acted in a manner constituting bad faith or gross negligence. A party’s termination of this Agreement pursuant to Article IX will not constitute bad faith or gross negligence. The right of indemnification and payment of expenses under this Section 8.02(a) shall not be exclusive of any other right that any Indemnified Party may have or hereafter acquire under any statute, provision of the Certificate or Bylaws, provision of this Agreement, vote of the Members or otherwise. Spohn shall obtain director’s and officer’s insurance to insure against any claims that could be brought against the Members for their service as Members of Spohn or against the Directors for their service as Directors of the Board of Directors of Spohn.
- (b) Indemnification of the District and CHRISTUS Health. Spohn agrees to indemnify the District and CHRISTUS Health, their officers, board of managers, employees and agents, against (a) any Damages (as defined below) which arise out of or in connection with any claims by or on behalf or in the name of a government entity or authority, State or federal, relating to Spohn’s, CHRISTUS Health’s, or the District’s obligations under this Agreement, or related transactions, Spohn’s receipt of payments under the Medicaid disproportionate share hospital program, the Medicaid Waiver, the Network Access Improvement Program, or any similar programs, whether received before or after the Effective Date of the Original Membership Agreement, and (b) Damages which arise out of or in connection with the negligence or malfeasance of any employee or agent of Spohn performing services under or in connection with this Agreement or Spohn’s breach of any material requirement of this Agreement (the “Indemnity”). Subject to applicable law, Spohn shall have the right to select and engage defense counsel and manage the defense for any claim or action brought against the District or

CHRISTUS Health by a third party. The District and CHRISTUS Health shall cooperate with Spohn in Spohn's engagement of legal counsel to defend any such third-party claim or action. Notwithstanding anything in this Section 8.02(b) to the contrary, in the event that representation of Spohn, CHRISTUS Health, and the District by the same counsel to defend any third-party claim or action subject to this Section 8.02(b) would be a conflict of interest for such counsel under the Texas Disciplinary Rules of Professional Conduct then in effect, the District or CHRISTUS Health may require Spohn to select another independent counsel, in consultation with the District or CHRISTUS Health, as appropriate, without relieving Spohn of its obligation to indemnify and defend the District and CHRISTUS Health under this Section 8.02(b). In the event the District, CHRISTUS Health or Spohn becomes aware of a third-party claim or action subject to this Section 8.02(b), such party shall provide the other parties prompt written notice of the claim or action and shall use its best efforts to provide the other parties sufficient information to identify the circumstances of the claim or action. Such notice shall be made as soon as practical from the date of actual notice of the claim or action to the party possessing such knowledge.

For purposes of this Section 8.02(b), "Damages" shall mean judgments, liabilities, fines, penalties, costs, and other amounts or assessments of responsibility, if any, required to be paid or refunded to, or recouped by, any person or entity, governmental authorities or entities or persons acting on behalf or in the name of such governmental entities or authorities, including statutory or other attorneys' fees and similar costs, incurred by the District or CHRISTUS Health related to any claim or action that entitles the District or CHRISTUS Health to the Indemnity pursuant to this Section 8.02(b).

- (c) The provisions of this Section 8.02 shall survive the termination, expiration, or assignment of this Agreement.

ARTICLE IX. TERM AND TERMINATION

Section 9.01. Term. This Agreement shall remain in effect for an initial term of ten (10) years commencing with the Effective Date of the Original Membership Agreement and shall automatically renew for another five (5) year term, unless a party provides ninety (90) days' advance written notice to the other parties of its intent to terminate the Agreement at the end of the initial term. Notwithstanding anything herein to the contrary, this Agreement may be terminated by:

- (a) The mutual agreement of CHRISTUS Health and the District;
- (b) Either party, upon the expiration of thirty (30) days from written notice of election to terminate this Agreement, with or without cause;
- (c) The District, immediately in the event that CHRISTUS Health voluntarily transfers its membership in Spohn in accordance with Section 4.1 of the Bylaws

or if Spohn provides notification to the District pursuant to Section 4.02 of this Agreement;

- (d) CHRISTUS Health, immediately in the event compliance with Section 5.02 or any other provision of this Agreement would cause CHRISTUS Health and/or Spohn to be in material breach, default, or violation of the terms of the CHRISTUS Indenture.

Section 9.02. Effect of Termination. In the event of termination pursuant to Section 9.01 of this Agreement, then the Master Agreement, the Lease Agreement, and the Indigent Care Agreement, originally entered between the District and Spohn effective as of September 30, 1996, as amended through September 2012 (together the "1996 Transaction Agreements") shall be immediately reinstated effective upon the expiration or early termination of this Agreement; provided, however, that (i) the 1996 Transaction Agreements shall be further amended upon reinstatement in accordance with that certain Memorandum of Understanding between the District and Spohn dated November 18, 2013, and (ii) reinstatement of the payment provisions under the Indigent Care Agreement for the year of reinstatement shall be contingent upon the District's review of the District's then current fiscal year budget to confirm financial ability to pay under the Indigent Care Agreement for the remainder of such fiscal year. In addition, upon termination of this Agreement pursuant to Section 9.01, the District hereby consents to the amendment of Spohn's Certificate of Formation and Bylaws for the purpose of removing the District as a member of Spohn. The termination of this Agreement under Section 9.01 shall excuse any obligation of the parties to contribute or otherwise fund either Member's financial support under Section 2.03 or distributions to Members, due or payable after the effective date of such termination, but shall not limit any obligations due and payable on a date prior to the effective date of termination.

Section 9.03. Termination Related to CHRISTUS Indenture. Spohn and CHRISTUS Health are parties to that certain Master Trust Indenture amended, restated and dated as of July 1, 2007 between CHRISTUS Health, the members of the Obligated Group (as defined under the Master Trust Indenture) and The Bank of New York Mellon Trust Company, N.A., together with various banking and insurance agreements relating to same (collectively, the "CHRISTUS Indenture"). The CHRISTUS Indenture secures certain outstanding debt of CHRISTUS Health and Spohn, and grants a security interest in their gross revenues, and imposes numerous financial and other covenants and requirements on CHRISTUS Health and Spohn and their properties and operations. The parties to this Agreement acknowledge the CHRISTUS Indenture and agree that CHRISTUS Health may terminate this Agreement immediately to the extent (but only to the extent) that application or enforcement of this Agreement would cause a material violation, breach or default under the CHRISTUS Indenture.

ARTICLE X. MISCELLANEOUS

Section 10.01. Waivers and Amendments. Any waiver of any term or condition of this Agreement, or any amendment or modification of this Agreement, shall be effective only if set forth in a written document executed by a duly authorized officer or representative of each of the parties. A waiver of any breach or failure to enforce any of the terms or conditions of this

Agreement shall not in any way affect, limit or waive a party's other rights hereunder at any time to enforce strict compliance thereafter with every term or condition of this Agreement.

Section 10.02. Notices. Any notice, request, instruction, demand or other communication to be given hereunder by either party hereto to the other shall be given in writing and shall be delivered either by hand, by telecopy or similar facsimile means (with follow-up hard copy sent by U.S. Mail), or by registered or certified U.S. mail, postage prepaid, return receipt requested, as follows:

- (a) If to Spohn, addressed to:

CHRISTUS Spohn Health System Corporation
1702 Santa Fe Street
Corpus Christi, Texas 78404
Attention: President/CEO
Telecopy No.: (361) 885-0566
Telephone No.: (361) 881-3405

With a copy to:

Lance J. Ramsey
Gjerset & Lorenz, LLP
2801 Via Fortuna, Suite 500
Austin, Texas 78746
Telecopy No.: (512) 899-3939
Telephone No.: (512) 899-3995

- (b) If to CHRISTUS Health, addressed to:

CHRISTUS Health
919 Hidden Ridge
Irving, Texas 75038
Attention: President
Telecopy No.: (214) 492-8518
Telephone No.: (214) 492-8500

With a copy to:

Lance J. Ramsey
Gjerset & Lorenz, LLP
2801 Via Fortuna, Suite 500
Austin, Texas 78746
Telecopy No.: (512) 899-3939
Telephone No.: (512) 899-3995

(c) If to District, addressed to:

Nueces County Hospital District
555 N. Carancahua St., Suite 950
Corpus Christi, Texas 78401
Attention: Administrator
Telecopy No.: (361) 808-3274
Telephone No.: (361) 808-3300

With a copy to:

William Dewitt Alsup, Esq.
Alsup and Alsup
555 North Carancahua St., Suite 1560
Corpus Christi, Texas 78401
Telecopy No.: (361) 884-6000
Telephone No.: (361) 884-6321

and

Gary W. Eiland, Esq.
King & Spalding LLP
1100 Louisiana, Suite 4000
Houston, TX 77002
Telecopy No.: (713) 751-3290
Telephone No.: (713) 751-3207

or such other address or number as either party shall have previously designated by written notice given to the other party in the manner hereinabove set forth. Notices shall be deemed given when received, if sent by telecopy or similar facsimile means, and when delivered and receipted for, if mailed or hand-delivered.

Section 10.03. Headings and Terminology. The Article and Section headings herein are for convenience only and shall not affect the construction hereof. Unless the context of this Agreement clearly requires otherwise, (a) pronouns, wherever used herein, and whatever gender, shall include natural persons and corporations and associations of every kind and character, (b) the singular shall include the plural and the plural shall include the singular wherever and as often as may be appropriate, (c) the word "includes" or "including" shall mean "including without limitation," (d) the word "or" shall have the inclusive meaning represented by the phrase "and/or," and (e) the words "hereof," "herein," "hereunder," and similar terms in this Agreement shall refer to this Agreement as a whole and not any particular section or article in which such words appear. Unless otherwise stated, references to Sections, Subsections, Paragraphs, Exhibits and Schedules mean Sections, Subsections, Paragraphs, Exhibits and Schedules of and to this Agreement. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. Unless otherwise specified, all references to a specific time of day in this Agreement shall be based upon Central Standard Time or Central Daylight Time, as applicable on the date in question.

Section 10.04. Parties in Interest; No Third Party Beneficiaries. This Agreement is made solely for the benefit of Spohn, CHRISTUS Health, and the District and their permitted successors and assigns. This Agreement shall not confer, or be construed to confer, any rights or benefits to any person or entity other than the parties, and no other person shall acquire or have any right under or by virtue of this Agreement.

Section 10.05. Entire Agreement. This Agreement (including all Exhibits and Schedules hereto) constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all other prior and contemporaneous agreements and understandings, both oral and written, of the parties in connection therewith, except as expressly retained and continued by this Agreement. No covenant or condition not expressed in this Agreement shall affect or be effective to interpret, change, or restrict this Agreement.

Section 10.06. Severability. If any term, provision, covenant or condition of this Agreement is held by any court of competent jurisdiction to be invalid, void or unenforceable in any respect, the remainder of such term, provision, covenant or condition in every other respect and the remainder of the terms, provisions, covenants or conditions of this Agreement shall continue in full force and effect and shall in no way be affected, impaired or invalidated.

Section 10.07. Governing Law. THIS AGREEMENT HAS BEEN EXECUTED IN THE STATE OF TEXAS AND IS TO BE PERFORMED IN NUECES COUNTY, TEXAS, AND SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS AND THE LAWS OF THE UNITED STATES OF AMERICA APPLICABLE TO TRANSACTIONS WITHIN THE STATE OF TEXAS.

Section 10.08. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns; provided, however, that this Agreement shall not be assignable by Spohn, CHRISTUS Health, or the District to any person (other than a wholly-owned affiliate) without the express prior written consent of the other parties. No such assignment shall relieve the assigning party of any of its obligations hereunder, and the assigning party shall remain fully liable hereunder.

Section 10.09. Counterparts. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 10.10. Dispute Resolution. The term "Dispute" means any and all questions, claims, controversies, or disputes arising out of or relating to this Agreement, including the validity, construction, meaning, performance, effect, or breach of this Agreement.

- (a) Except as otherwise provided herein, in the event of a Dispute, the parties acknowledge and agree that they may seek recourse only for (i) temporary or preliminary injunctive relief or (ii) to toll any applicable statute of limitations relating to the matter in dispute, to the courts having jurisdiction thereof, and if any relief other than injunctive relief or the tolling of the statute of limitations is sought, the parties shall promptly, amicably, and in good faith attempt to resolve the Dispute through negotiations. A disputing party shall give written notice of

the Dispute to the other applicable party(ies) that shall contain a brief statement of the nature of the Dispute ("Notice of Dispute"). If the parties are unable to resolve the Dispute within thirty (30) days of receipt of Notice of Dispute, the parties shall submit the Dispute to mediation as set forth below.

- (b) In the event negotiation is unsuccessful, any party wishing to commence mediation shall send a written notice of intent to mediate to the other party(ies), specifying in detail the nature of the Dispute and proposing a resolution thereof ("Mediation Notice"). Within fifteen (15) days after such Mediation Notice is received by the other party(ies), if the parties cannot agree on a proposed mediator, one shall be appointed in accordance with the rules and procedures of the American Health Lawyers Association ("AHLA"). Each party shall designate no more than three (3) representatives who shall meet with the mediator to mediate the Dispute. Mediation shall be commenced as soon as reasonably possible. The mediator shall be a person having no conflict of interest with a party. The mediation shall be conducted in Corpus, Christi, Texas, or at such other venue as agreed to by the parties, and shall be non-binding. Subject to the Texas Public Information Act, Texas Open Meetings Act, and other applicable law, any non-binding mediation conducted under the terms of this Section shall be confidential within the meaning of Texas law. The cost of the mediation shall be borne equally by the parties, except for expenses of the individual parties. The mediation must be conducted and completed within thirty (30) days of the date of the Mediation Notice. Should the mediation not achieve a solution agreeable to the applicable parties, the parties must proceed with arbitration as set forth below.
- (c) Mediation shall be a prerequisite to arbitration. If unsuccessful in resolving an issue submitted to mediation as outlined above, the applicable parties shall resolve such Dispute by binding arbitration in accordance with the provisions set forth below. Arbitration shall be conducted in Corpus Christi, Texas, or at such other venue as agreed to by the parties, in accordance with this Section of the Agreement and the rules and procedures of the AHLA. This matter shall be heard and decided, and awards rendered by a panel of three (3) Arbitrators (collectively, the "Arbitration Panel") within one hundred and eighty (180) days of the date a party delivers written notice ("Arbitration Notice") to the other party to this Agreement of its intention to resolve a matter by arbitration pursuant to this Section 10.10(c). Within twenty (20) business days of the date that the Arbitration Notice is received by the addressee, each party to arbitration shall select one Arbitrator from the panel of AHLA's arbitrators and such party-appointed Arbitrators shall select a third Arbitrator from the panel of AHLA arbitrators within thirty (30) business days after the date that the Arbitration Notice is received by the addressee. If the Party-appointed Arbitrators cannot agree within a reasonable period of time on the third, neutral arbitrator, then AHLA will select such third arbitrator. The arbitrators selected pursuant to this Section 10.10(c) shall be qualified by training, education, and experience to rule on the issues presented. In the event a party files suit for the purpose of tolling the statute of limitations, the parties intend that the court in which such suit is filed shall be bound by the Arbitrator's determination on the subject matter being arbitrated.

The award rendered by the Arbitration Panel shall be final and binding as between the parties hereto and their successors and assigns, and judgment on the award may be entered by any court having jurisdiction thereof.

Section 10.11. Consent to Jurisdiction. Any legal action, suit or proceeding in law or equity arising out of or relating to this Agreement and the transactions contemplated hereby may be instituted in any state court in Nueces County, Texas or federal court in Nueces County, Texas.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties hereto by their duly authorized representatives have executed this Agreement effective as of the date first written above.

CHRISTUS SPOHN HEALTH SYSTEM CORPORATION

By: *Pamela S. Robertson*
Pamela S. Robertson, Chief Executive Officer

CHRISTUS HEALTH

By: *Ernie Sadau*
Ernie Sadau, Chief Executive Officer

NUECES COUNTY HOSPITAL DISTRICT

By: *Jonny F. Hipp*
Jonny F. Hipp, Administrator/Chief Executive Officer

APPROVED BY THE NUECES COUNTY COMMISSIONERS COURT

By: *Samuel L. Neal, Jr.*
Samuel L. Neal, Jr., County Judge



Attest:

Kara Sands

Kara Sands
Nueces County Clerk

119189

October 19, 2023

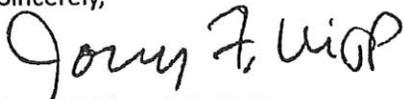
Mr. Kyle Broughton
Assistant Vice President
Frost Bank
501 S. Shoreline Blvd.
Corpus Christi, Texas 78401
Re: Nueces County Hospital District

Dear Mr. Broughton:

The new Bank Depository agreements submitted by Frost are currently being reviewed by legal counsel. However, The District's depository agreement with Frost Bank was to expire on September 30, 2023. The selection of a Depository by the Hospital District is governed by §281.093, which states that the depository shall serve as a depository until a successor is selected and qualified. Please confirm that Frost Bank will continue serving as Depository for the Hospital District passed the expiration of the Hospital District's current Depository agreement with Frost Bank by your signature below and returning a copy of this letter to the Hospital District. We anticipate that the Bank Depository agreements will be finalized by November 30, 2023.

Thank you very much for your assistance with this matter.

Sincerely,



Jonny F. Hipp, ScD, FACE
Administrator/CEO

AGREED:



Kyle Broughton

Date signed: 10/20/2023

September 22, 2023

Mr. Jonny Hipp
Nueces County Hospital District
555 N. Carancahua, Suite 950-A
Corpus Christi, TX 78401

Dear Mr. Hipp:

We are pleased to confirm our understanding of the services we are to provide for the Nueces County Hospital District, a component unit of Nueces County, Texas, for the year ended September 30, 2023.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nueces County Hospital District, a component unit of Nueces County, Texas, which collectively comprise the District's basic financial statements for the fiscal year ended September 30, 2023. 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 Nueces County Hospital 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 the 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 Nueces County Hospital 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 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:

- The 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 opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP. 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 Nueces County Hospital District or to acts by management or employees acting on behalf of Nueces County Hospital 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 come 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 government'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 may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

Our audit of the financial statements does not relieve you of your responsibilities.

Audit Procedures—Internal Control

We will obtain an understanding of the government and its environment, including internal control relevant to the audit, 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. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting material misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

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.

We have identified the following significant risks of material misstatement as part of our audit planning:

- Management override of controls
- Revenue recognition

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Nueces County Hospital District's compliance with the 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.

Other Services

We will also prepare the financial statements and related notes disclosures of Nueces County Hospital District in conformity with accounting principles generally accepted in the United States based on information provided by you.

We will perform these nonaudit 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, including consultation regarding the implementation of GASB 87 and 96 related to the new lease and subscription based information technology arrangements, respectively. You will be required to acknowledge in the management representation letter our assistance with the completion of the GASB 87 and 96 implementation, and that you have reviewed these nonattest services prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those service; and accept responsibility for them.

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 and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). 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 government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representation 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 or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts 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 government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the government entity complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information, if any, in conformity with accounting principles generally accepted in the United States of America (GAAP). You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in

accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Engagement Administration, Fees, and Other

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

The audit documentation for this engagement is the property of Collier, Johnson & Woods P.C. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to Regulators or its designee. We will notify you of such a request. If requested, access to such workpapers will be provided under the supervision of Collier, Johnson & Woods P.C. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to cognizant or grantor agencies. The cognizant or grantor agencies may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

Brigid Cook is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. We expect to begin our audit on approximately November 2023, and to issue our reports no later than January 2024.

We estimate that our fee for the engagement will approximately \$26,500. We do not anticipate the fee to exceed \$26,500 for the services, unless unforeseen circumstances arise. Such circumstances will be discussed when, and if, encountered. Our invoices for these fees will be rendered as work progresses and are payable on presentation.

Our professional fees are based on the value of the services provided. In arriving at this value, we consider several factors, some of which are the complexity of the engagement, results of the engagement, the time required to complete the engagement, and out-of-pocket expenses. We will perform this engagement in the most cost-efficient manner by assigning work to members of the Firm that we believe have the appropriate level of experience and skill for the engagement.

Reporting

We will issue a written report upon completion of our audit of Nueces County Hospital District's financial statements. Our report will be addressed to the Board of Managers of Nueces County Hospital 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 withdraw from this engagement.

We appreciate the opportunity to be of service to Nueces County 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 the enclosed copy and return it to us.

Very truly yours,

COLLIER, JOHNSON & WOODS
A Professional Corporation



Brigid W. Cook, CPA
Shareholder

RESPONSE: This letter correctly sets forth the understanding of Nueces County Hospital District.

Officer Signature:



Jonny F. Hipp
Administrator

Title:

10/03/2023

September 22, 2023

To the Finance Committee of the Board of Managers
of the Nueces County Hospital District
Corpus Christi, Texas

We are engaged to audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nueces County Hospital District for the year ended September 30, 2023. Professional standards require that we provide you with following information related to our audit. We would also appreciate the opportunity to meet with you to discuss the information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated September 30, 2023, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the Management's Discussion and Analysis, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

Planned Scope, Timing of the Audit, Significant Risks and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws of governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally

communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We have identified the following significant risks of material misstatement as part of our audit planning:

- Management override of controls
- Revenue recognition

We expect to begin our audit in November 2023 and issue our report no later than January 2024. Brigid W. Cook is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

This information is intended solely for the use of the Board of Managers and management of Nueces County Hospital District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

COLLIER, JOHNSON & WOODS
A Professional Corporation

Brigid W Cook

Brigid W. Cook, CPA
Shareholder

RESPONSE:

This letter correctly sets forth the understanding of the Nueces County Hospital District.

Signed by: *[Signature]*

Title: *Member, Board of Managers*

**HEALTH SERVICES AGREEMENT
NUECES COUNTY CORRECTIONAL FACILITIES
AMENDMENT NO. 1**

This Amendment No. 1 hereby amends the original contract bearing the effective date of October 01, 2020 entered into between NUECES COUNTY, (COUNTY) NUECES COUNTY HOSPITAL DISTRICT (HOSPITAL DISTRICT) and AMOR CORRECTIONAL HEALTHCARE SERVICES (ACHS) (referred to collectively as the “Parties”). This Amendment shall be effective on the date of the last signature by the parties.

WHEREAS, COUNTY, HOSPITAL DISTRICT and ACHS have entered into an agreement for the provision of health care services to inmates incarcerated in COUNTY jail facilities;

WHEREAS, the term of the Parties agreement is for an initial three years commencing on December 01, 2020 and expiring on November 30, 2023 with an option for two (2) additional one (1)-year terms (“Renewal Term(s)”) exercisable upon mutual agreement of the Parties;

WHEREAS, the HOSPITAL DISTRICT is undergoing a transition in the process by which the HOSPITAL DISTRICT provides financial assistance to agencies within Nueces County;

WHEREAS, the HOSPITAL DISTRICT wishes to convert the method of funding under this Agreement to conform to the HOSPITAL DISTRICT’S current procedure for providing funding to other agencies;

WHEREAS, the HOSPITAL DISTRICT has provided written notice to COUNTY and ACHS of the HOSPITAL DISTRICT’S intention to withdraw from the Agreement;

NOW, THEREFORE, this Amendment No. 1 to the Agreement is made and entered into by the Parties for the mutual consideration hereby acknowledged.

The Parties hereto agree to amend the Contract by the addition of the following terms to section 10.2:

10.2

A. The HOSPITAL DISTRICT shall be permitted to withdraw from this contract, unless objection is made by COUNTY or ACHS.

B. In the event that HOSPITAL DISTRICT withdraws from this contract, HOSPITAL DISTRICT’S responsibilities under the Agreement shall be performed by COUNTY.

The Parties agree that all other terms of the Agreement remain in full force and effect except as amended by this Amendment No. 1.

IN WITNESS WHEREOF, COUNTY, HOSPITAL DISTRICT and ACHS have executed this Amendment in their official capacities with legal authority to do so.

ARMOR CORRECTIONAL
HEALTH SERVICES, INC.

NUECES COUNTY
HOSPITAL DISTRICT

By: _____
Name: Otto Campos
Title:
Date: _____

By: _____
Name: Jonny F. Hipp
Title: Administrator/Chief Operating Officer
Date: _____

NUECES COUNTY

By: _____
Name: Connie Scott
Title: Nueces County Judge
Date: _____

ATTEST:

By: _____
Kara Sands
Title: County Clerk
Date: _____

APPROVED AS TO FORM:

By: _____
Name: Jenny P. Dorsey
Title: County Attorney
Date: _____

**INTERLOCAL COOPERATION AGREEMENT BETWEEN
NUECES COUNTY HOSPITAL DISTRICT AND NUECES COUNTY
RELATING TO INMATE HEALTH CARE EXPENSES AT
COUNTY JAIL AND JAIL-ANNEX FACILITIES**

THE STATE OF TEXAS §

COUNTY OF NUECES §

THIS INTERLOCAL COOPERATION AGREEMENT (“Agreement”) is made by and between **NUECES COUNTY HOSPITAL DISTRICT**, (“Hospital District”), acting by and through its duly authorized designee, Administrator/CEO, upon the authority of its governing body, the Nueces County Hospital District Board of Managers and **NUECES COUNTY** (“County”), acting by and through its duly authorized designee, Nueces County Judge upon the authority of its governing body, the Nueces County Commissioners Court (“Commissioners Court”) pursuant to and in accordance with the provisions of Chapter 791, as amended, Texas Government Code. Hospital District and County may sometimes hereafter be referred to collectively as “Parties.”

WITNESSETH

WHEREAS, the County is a political subdivision of the State of Texas with police protection and detention powers as well as public welfare programs;

WHEREAS, the NCHD is a political subdivision of the State of Texas created and authorized under Texas Health and Safety Code (“Health Code”) §281.002 to furnish medical aid and hospital care to indigent and needy persons residing within the Hospital District’s boundaries and §281.094, Texas Health & Safety Code enables the Hospital District to use funds from non-tax sources to fund health care services, including mental health services as well as public health services with Commissioners Court approval;

WHEREAS, the Hospital District recognizes that funding made available to the County for reimbursement of expenses incurred by the County for inmate health care services will involve services for indigent residents of Nueces County for which the Hospital District is authorized to provide; and

WHEREAS, Texas Government Code, Chapter 791, as amended, authorizes contracts between local governmental agencies to perform governmental functions, inclusive of §791.025, Texas Government Code which permits agreements (interlocal agreement) between local governments for the purchase of goods and services and satisfies the requirement of local governments to seek competitive bids for the purchase of goods and services;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements of the parties hereto, to be by them respectively kept and performed as hereinafter set forth, the Hospital District and the County do hereby agree as follows:

AGREEMENT

SECTION 1. PURPOSE.

The recitals herein are incorporated in their entirety in this Agreement. The purpose of this Agreement is to provide funding from the Hospital District to County for the costs incurred by the county in providing healthcare for inmates incarcerated in the Nueces County Main Jail and the Nueces County Mckinzie Jail Annex facilities.

SECTION 2. TERM.

The term of this Agreement shall be for a period of one (1) year commencing on December 01, 2023 and ending on November 30, 2024 ("Term").

SECTION 3. SCOPE.

- A. This Agreement is to enable the Hospital District to support the County by providing reimbursement funds, exclusive of capital outlays, to the County for expenses incurred by County for the provision of health care services to inmates incarcerated in the Nueces County Main Jail and the Nueces County McKinzie Jail Annex facilities under the County's agreement with Armor Correctional Health Services, Inc., Executed Contract No. #20200507.
- B. This agreement does not apply to expenses for health care services provided to detainees at the Nueces County Juvenile facility.

SECTION 4. OBLIGATIONS OF HOSPITAL DISTRICT AND COUNTY.

For and in consideration of the recitals, covenants and agreements of the Hospital District and County set forth herein, the Parties agree as follows:

A. HOSPITAL DISTRICT:

- 1. Under the terms of this Agreement, the Hospital District's maximum funding to the County during the Term shall not exceed \$4,547,036.00 ("Maximum Funding Amount") to be remitted to the County in equal monthly installments of \$378,919.66. In the event that Hospital District's funding to the County under this Agreement reaches the Maximum Funding Amount during the Term, the Hospital District's funding obligations hereunder shall end and the Hospital District shall not provide any additional funding to County during the Term for purposes of this Agreement.

2. Upon receipt of copies of proof of payment and expense documentation from the County for inmate health care services provided this agreement, the Hospital District will review all said items and if appropriate, approve said items, exclusive of capital outlays, for payment and remit payment to County within 30 days.
3. Hospital District reserves the right to disapprove payment of any proof of payment and expense documentation submitted by the County, which Hospital District in its sole discretion, may deem to be questionable, unjustified, excessive, inappropriate, improper, misapplied, misclassified, or which in the Hospital District's sole judgment do not qualify as valid expenses.
4. Hospital District will provide prompt notice to the County within 15 days of any proof of payment and expense documentation items submitted by the County for the County Public Health Expenditures that are disapproved by the District.

B. COUNTY:

1. The County will provide health care services to inmates incarcerated in the Nueces County Main Jail and the Nueces County McKinzie Jail Annex facilities during the term of this agreement.
2. When requesting disbursement of Hospital District funding as reimbursement for expenses incurred by County in their provision of health care services to inmates as provided herein, exclusive of capital outlays, County shall submit copies of canceled checks and associated detailed trial balance supporting County's payment of the expenditures to the Hospital District.
3. County shall submit proof of payment and expense documentation to the Hospital District no later than 45 days after the end of each of the Hospital District's fiscal quarters. Proof of payment and expense documents submitted to the Hospital District later than 45 days after the end of any Hospital District fiscal quarter may be considered untimely and may not be processed for payment at the sole discretion of the Hospital District.
4. County shall respond to and provide the Hospital District with all reasonable information within 15 days, which the Hospital District may request regarding the underlying expense details supporting the proof of payment and expense documentation for the County Public Health Expenditures for which the County requested disbursement of Hospital District funding.
5. County shall provide notice and documentation to Hospital District of any changes, amendments, terminations or any other action taken to Contract

No. #20200507 between Nueces County and Armor Correctional Health Services, Inc.

6. Nothing in this Agreement shall be construed by the County to require or cause the Hospital District to fund any amount more than the Maximum Funding Amount for inmate health care services as stated herein during the Term of this Agreement.

SECTION 5. MISCELLANEOUS.

- A. Payments. Any payment made by either party hereto for any of the services provided pursuant to this Agreement shall be made from current revenues available to the Hospital District and County as required by Chapter 791, Texas Government Code, or any other manner permitted by law, as permitted by and in accordance with §791.028, Texas Government Code, as amended.
- B. Severability. In the event any term, covenant or condition herein contained shall be held to be invalid by any court of competent jurisdiction, such invalidity shall not affect any other term, covenant, or condition herein contained, provided that such invalidity does not materially prejudice either Hospital District or County in their respective rights and obligations contained in the valid terms, covenants, or conditions hereof.
- C. Entire Agreement. This Agreement will constitute the sole agreement of the parties hereto and supersedes any prior understandings or any written or oral agreements between the parties with respect to the subject matter herein. This Agreement may not be modified or amended except by written instrument signed by both Parties hereto.
- D. Written Amendment. This Agreement may be modified or amended only by written instrument duly executed by both parties. The authorized representatives of the parties may execute minor amendments without obtaining prior approval from their respective governing bodies if the minor amendment does not change the term, the maximum amount to be paid herein, nor the responsibilities agreed to by either party under this original Agreement.
- E. Notices. All notices required or permitted must be in writing and given by hand delivery, registered or certified mail, postage prepaid; or overnight delivery. Notice shall be delivered or mailed to the Parties at the following addresses or at such other places as either party shall designate in writing:

HOSPITAL DISTRICT

Nueces County Hospital District
Attn: Administrator/CEO
555 N. Carancahua St., Suite 950
Corpus Christi, Texas 78401

COUNTY

Nueces County
Attn: Nueces County Judge
901 Leopard St., Room 303
Corpus Christi, Texas 78401

