

AMARILLO HOSPITAL DISTRICT  
BOARD OF MANAGERS  
February 6, 1996

Members

Mr. John Ben Blanchard	Yes
Mr. Mitch Contreras	Yes
Dr. Michael Guttenplan	Yes
Mrs. Judy Sell	Yes
Mr. James H. Simms	Yes
Mr. Don Taylor	Yes
Mrs. Connie Tommerup	Yes

Administration

Mr. William Webster	Mrs. Valerie Kiper
Mrs. Debra Nichols	Dr. Nathan Goldstein
Mr. Richard Failla	Mr. Harvey Hudspeth
Mrs. Linda Ussery	

Others

Mr. Dick Wright	Universal Health Services
Mr. Josh Nemzoff	Nemzoff & Company, LLC
Mr. John Schwartz, Legal Counsel	Ruden, Barnett & McClosky Law Firm
Mr. Tony Pantaleoni	Fulbright & Jaworski Law Firm
Ms. Paula Lovell	Lovell Communications
Mr. Duane Rossman	Consultant

**I. CALL TO ORDER**

The meeting was called to order at 12:10 PM by Mr. Jim Simms, Board Chairman, in the NWTB Dining Room I.

**II. ADJOURNMENT TO EXECUTIVE SESSION**

Mr. Simms, Chairman of the Board of Managers and presiding officer of the meeting, announced in a duly and lawfully called open meeting, that the closed meeting was being called in accordance with Texas Government Code Section 551.072, for the purpose of review and consideration of the following issues:

*For the purpose of discussing the procedures necessary to authorize the purchase of the assets of the Amarillo Hospital District. These discussions relate to the potential purchase, lease, and value of real property of the Amarillo Hospital District. Public discussions of these matters would have a detrimental effect on the negotiating position of the Amarillo Hospital District.*

Mr. Simms, Board chairman and presiding officer, announced that the closed meeting began at 12:12 PM on the 6th day of February 1996.

### III. RECONVENED REGULAR SESSION

Mr. Simms, Board chairman and presiding officer, announced that the closed meeting was terminated at 2:17 PM on the 6th day of February 1996, and the open meeting of the Board of Managers of the Amarillo Hospital District was reconvened at that time.

### IV. ANY ACTION NECESSITATED BY EXECUTIVE SESSION

Mr. Simms, Board chairman and presiding officer, opened the floor for Board discussion and possible action concerning the sale or lease of substantially all of the assets of the Amarillo Hospital District, which conducts business as the Northwest Texas Healthcare System.

Mr. Nemzoff, transaction consultant to the Board, explained the process taken by the Board in considering the continued viability of Northwest Texas Healthcare System. In early 1995 the Board considered six possible options:

- ① Acquire another hospital (St. Anthony's)
- ② Sell NWTHS
- ③ Merge
- ④ Joint venture
- ⑤ Network
- ⑥ Maintain status quo

The Board considered the downside to each of these options: ① The offer to buy St. Anthony's Hospital was rejected due to their planned merger with High Plains Baptist Hospital. ② Sale or lease of NWTHS would be contingent upon the ability of the purchaser/lessor to continue indigent care services and to protect employees. ③ Merging with the newly created SAH/HPBHS would create antitrust problems. ④ There would be legal restraints in a joint venture. ⑤ A network arrangement is ineffective. ⑥ Maintaining status quo is not acceptable in view of the changing healthcare environment on the national, state and local levels.

In June 1995 the Board voted to pursue the option for sale or lease of substantially all of the assets of the Amarillo Hospital District and authorized Mr. Nemzoff to assist the Board in the bid process. Specific qualifications were required of the bidding entities:

- ✓ Demonstrate financial ability to fulfill obligations
- ✓ Be engaged primarily in the ownership/operation of acute care hospitals
- ✓ Own/operate one acute care hospital west of Mississippi River
- ✓ Own/operate hospital(s) with a total of at least 1,000 beds
- ✓ Be geographically dispersed
- ✓ Demonstrate the ability to meet legal and regulatory requirements necessary to complete the transaction
- ✓ Demonstrate the ability to lease/own/operate NWTHS

Confidential memoranda were sent to ten interested healthcare organizations expressing a potential interest and meeting the bid qualifications, only one of which was a non-profit organization. After researching the financial stability, operational track record

and corporate strength of each qualified bidder who submitted a bid, the Board determined that Universal Health Services could best meet the primary considerations of the Amarillo Hospital District/Northwest Texas Healthcare System, specifically:

- ✓ Continued care of the indigent population of the AHD
- ✓ Proven corporate strength and operational track record
- ✓ Offered purchase price

A non-binding letter of intent was signed with Universal Health Services on September 26, 1995 and was followed by an intensive due diligence and negotiations process.

Even though bound by an executed confidentiality agreement, all members of the Board and the Amarillo City Commission represented by the City Manager, were fully informed of progress in the due diligence and negotiation process.

The Board considered the negotiated asset purchase agreement resulting in the following major financial provisions:

Purchase Price - Base	\$120,000,000
Purchase Price - NWC Surplus	3,360,000
TOTAL	\$123,360,000
Cash & Investments	77,093,000
TOTAL	\$200,453,000
Less: Current Liabilities	- 5,611,686
Long-Term Debt (Bonds)	- 7,525,000
NET PROCEEDS OF THE TRANSACTION	\$187,316,314

Other major provisions of the proposed transaction include:

- UHS to assume all indigent care responsibility for as long as UHS owns the hospital--any new owner would be contractually bound to same obligations
- UHS to guarantee all terms of agreement
- UHS to pay property/sales taxes of \$3-\$3.5MM per year
- AHD to pay 1/3 of cost up to \$6.5MM if UHS builds a children's facility
- UHS to offer all employees a job with reserved right not to offer employment to an individual(s)
- AHD to retain the employee pension plan with no loss of benefits or vesting to employees
- UHS to honor accrued employee vacation/sick time as reflected in AHD financial statement
- UHS health benefits to cover employees
- UHS to continue current year contractual funding to the Bi-City-County Public Health District (BCCPHD) for provision of core public health services

UHS would be contractually bound for at least 25 years to provide all medically necessary services to qualified indigents. At the end of 20 years, UHS would have a 20-year renewal option. The AHD would reimburse UHS \$8MM for four years and \$6MM for the remaining 21 years, or 36 years if renewed, for indigent care, with certain inflation adjustments. In addition to continuation of current

indigent care, UHS would also continue the healthcare services currently provided by the NWTHS.

After presentation and discussion of the provisions of the asset purchase and indigent care agreements negotiated by the Amarillo Hospital District with Universal Health Services, the following resolution was voted.

**MOTION WAS MADE** by Mrs. Tommerup, seconded by Mr. Contreras and carried unanimously, approving the following resolution:

**WHEREAS**, the Board of Managers of the Amarillo Hospital District has considered the current circumstances and future prospects of Northwest Texas Healthcare System and the changing environment of healthcare delivery systems; and

**WHEREAS**, the primary mission of the Amarillo Hospital District is to provide or arrange for the provision of medical aid and hospital care to the indigent and needy persons residing within the Hospital District; and

**WHEREAS**, the Board of Managers of the Amarillo Hospital District has considered a sale or lease of Northwest Texas Healthcare System in order to best serve its primary mission and the best interests of the residents of the Hospital District; and

**WHEREAS**, the Board of Managers has sought out and entertained a number of proposals for the sale or lease of Northwest Texas Healthcare System and has negotiated a proposal with Universal Health Services, Inc. and its wholly-owned subsidiary UHS of Amarillo, Inc. (hereinafter collectively referred to as "Universal").

**NOW, THEREFORE, IT IS RESOLVED** as follows:

The Board of Managers of the Amarillo Hospital District finds that the sale of Northwest Texas Healthcare System is in the best interest of the residents of the Amarillo Hospital District.

The Board of Managers of the Amarillo Hospital District further finds that the proposal negotiated with Universal, as reflected in drafts of an Asset Purchase Agreement, a Guaranty Agreement of Asset Purchase Agreement, an Indigent Care Agreement a Guaranty Agreement of the Indigent Care Agreement, and Covenants and Restrictions (hereinafter collectively referred to as the "Purchase and Indigent Care Documents") constitutes the best offer and opportunity to fulfill the primary mission of the Amarillo Hospital District and to serve the best interests of the residents of the Hospital District.

Accordingly the Board of Managers of the Amarillo Hospital District finds that the sale of Northwest Texas Healthcare System to Universal pursuant to the Purchase and Indigent Care Documents is in the best interests of the residents of the Hospital District.

Therefore, the Board of Managers of the Amarillo Hospital District hereby orders the sale of Northwest Texas Healthcare System to Universal pursuant to the Purchase and Indigent Care Documents.

The Amarillo Hospital District, acting by and through its Board of Managers, is hereby authorized and directed to execute and deliver, and to perform the obligations of the Amarillo Hospital District under, the Purchase and Indigent Care Documents.

In connection with the sale of Northwest Texas Healthcare System to Universal, the Amarillo Hospital District, acting through its Board of Managers, shall pay or make due provision for the payment of all bonds and other obligations of the Hospital District not assumed by Universal pursuant to the Purchase and Indigent Care Documents.

The officers of the Board of Managers of the Amarillo Hospital District, and/or such other members of the Board as may be designated by the Board, are hereby authorized and instructed to take such actions and execute such documents, including, without limitation, the Purchase and Indigent Care Documents, as they may deem necessary, appropriate or advisable to carry out these resolutions, with the signature of any such officer or Board member to conclusively evidence the approval of this Board to the action so taken and the documents so executed. Such actions shall include, without limitation, the engagement of such professionals and consultants, such as bond counsel to opine that the bonds have been satisfied, an appraisal company to determine the fair market value of Northwest Texas Healthcare System, a title company to examine and insure title to the real property, and a surveyor, all as shall be necessary, appropriate and advisable to carry out these resolutions and the Purchase and Indigent Care Documents on the terms therein contemplated and in accordance with applicable law.

#### V. PRESS CONFERENCE

Following discussion and vote on the preceding resolution, the Board conducted a brief press conference explaining some of the major points of the asset purchase and indigent care documents.

#### VI. ADJOURNMENT

There being no further business, the meeting was adjourned at 2:50 PM. Board members proceeded to City Hall for presentation of this information to the Amarillo City Commission.

2-27-96  
Date Approved

James H. Simms  
James H. Simms, Chairman  
William Webster  
William Webster, Secretary