March 12, 2018

Via Email and US Mail
Ben A. Durie
Hooper, Lundy & Bookman, P.C.
575 Market Street, Suite 2300
San Francisco, CA 94105
bdurie@health-law.com

RE: Proposed Affiliation between The Fremont-Rideout Health Group, Rideout Memorial Hospital, United Com-Serve, and The Fremont-Rideout Foundation

Dear Mr. Durie:

Pursuant to Corporations Code section 5920 et seq., the Attorney General hereby conditionally consents to the proposed change in governance and control of Fremont-Rideout Health Group, a California nonprofit public benefit corporation, Rideout Memorial Hospital, a California nonprofit public benefit corporation, United Com-Serve, a California nonprofit public benefit corporation, and The Fremont-Rideout Foundation, a California nonprofit public benefit corporation, pursuant to the terms of the Affiliation Agreement dated October 9, 2017, entered into with Stone Point Health, a California nonprofit public benefit corporation, and Adventist Health System/West, D.B.A. Adventist Health, a California nonprofit religious corporation.

Corporations Code section 5923, and California Code of Regulations, title 11, section 999.5, subdivision (f), set forth factors that the Attorney General shall consider in determining whether to consent to a proposed transaction between a nonprofit corporation and another nonprofit corporation. The Attorney General has considered such factors and consents to the proposed transaction subject to the attached conditions that are incorporated by reference herein.

Thank you for your cooperation throughout the review process.

Sincerely,

[Original signed]

SCOTT CHAN
Deputy Attorney General

For XAVIER BECERRA
Attorney General
Conditions to Change in Control and Governance of Fremont-Rideout Health Group, and Approval of the Affiliation Agreement by and among Rideout Memorial Hospital¹, United Com-Serve, Fremont-Rideout Foundation, Stone Point Health, and Adventist Health System/West

I.

These Conditions shall be legally binding on the following entities: Fremont-Rideout Health Group, a California nonprofit public benefit corporation, Rideout Memorial Hospital, a California nonprofit public benefit corporation, United Com-Serve, a California nonprofit public benefit corporation, Fremont-Rideout Foundation, a California nonprofit public benefit corporation, Stone Point Health, a California nonprofit public benefit corporation, and Adventist Health System/West, D.B.A. Adventist Health, a California nonprofit religious corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of the Hospital or the real property on which the Hospital is located, any and all current and future owners, lessees, licensees, or operators of the Hospital, and any and all current and future lessees and owners of the real property on which the Hospital is located.

II.

The transaction conditionally approved by the Attorney General consists of the Affiliation Agreement by and between Fremont-Rideout Health Group, Rideout Memorial Hospital, United Com-Serve, Fremont-Rideout Foundation, Stone Point Health, and Adventist Health System/West, D.B.A. Adventist Health, dated October 6, 2017, and any agreements or documents referenced in or attached to as an exhibit, attachment, or schedule to the Affiliation Agreement.

All the entities listed in Condition I and any other parties referenced in the Affiliation Agreement shall fulfill the terms of the Affiliation Agreement and any agreements or documents referenced in or attached to as an exhibit, attachment, or schedule to the Affiliation Agreement and shall notify the Attorney General and obtain the Attorney General’s approval in writing of any proposed modification or rescission of any of the terms of the Affiliation Agreement or any agreements or documents referenced in or attached to as an exhibit, attachment, or schedule to the Affiliation Agreement. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923 and obtain the Attorney General’s approval.

III.

¹ Throughout this document, the term “Hospital” shall mean the 221 licensed-bed general acute care hospital (referred to as “Rideout Memorial Hospital” or “Rideout Regional Medical Center” currently licensed as “Rideout Health”), located at 726 4th Street, Marysville, California 95901-5656, and any other clinics, laboratories, units, services, or beds included on the license issued to Rideout Health by the California Department of Public Health, effective November 1, 2017, unless otherwise indicated.
For 10 years from the closing date of the Affiliation Agreement, all the parties listed in Condition I, shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

(a) Sell, transfer, lease, exchange, option, convey, or otherwise dispose of the Hospital; or

(b) Transfer control, responsibility, or governance of the Hospital. The substitution or addition of a new corporate member or members of any of the parties listed in Condition I that transfers the control of, responsibility for, or governance of the Hospital shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of any of the parties listed in Condition I or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of any of the parties listed in Condition I, shall also be deemed a transfer for purposes of this Condition.

IV.

For ten years from the closing date of the Affiliation Agreement, the Hospital shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency and trauma medical services at current\(^2\) licensure and designation with the same types and/or levels of services, including the following:

a) 45 emergency treatment stations at a minimum;
b) Designation as a Level III Trauma Center; and
c) Designation as a Paramedic Base Station.

V.

For five years from the closing date of the Affiliation Agreement, the Hospital shall maintain and provide the following medical services at current licensure, certification, and designation with the current types and/or levels of services:

a) Cardiac services, including the open heart surgery program and designation as a STEMI Receiving Center;
b) Certification as a Primary Stroke Center;
c) Intensive care services, including a minimum of 24 intensive care beds;
d) Neonatal intensive care services, including a minimum of 6 neonatal intensive care beds;
e) Obstetric services, including a minimum of 12 perinatal beds;
f) Women’s health-services, including services provided at the Women’s Center for Imaging and women’s reproductive health services; and
g) The Fremont-Rideout Cancer Center.

\(^2\) The term “current” or “currently” throughout this document means as of November 1, 2017 unless otherwise specified.
The licensee of the Hospital shall not place all or any portion of the above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

None of the above-listed licensed-bed capacity or services shall be placed in voluntary suspension nor its license surrendered for any of these beds or services.

VI.

For five years from the closing date of the Affiliation Agreement, Fremont-Rideout Health Group, United-Com Serve, Stone Point Health, and Adventist Health System/West, D.B.A. Adventist Health shall maintain and provide the following post-acute services at current licensure and with the current types and/or levels of services at their current locations:

a) The Fountain Skilled Nursing Facility, including 145 licensed beds;
b) The Courtyard Assisted Living Facility, including 80 licensed beds; and
c) The Gardens providing 49 licensed beds for residential care with 15 adult day care beds.

If any of the parties listed in Condition I find a successor to own, operate, lease, or manage any of these post-acute facilities, it shall require the approval of the Charitable Foundation Board, and the new owner(s), operator(s), lessee(s), or manager(s) shall be required to comply with this Condition.

VII.

For six fiscal years from the closing date of the Affiliation Agreement, Fremont-Rideout Health Group, Rideout Memorial Hospital, Stone Point Health, and Adventist Health System/West, D.B.A. Adventist Health shall provide an annual amount of Charity Care (as defined below) at the Hospital equal to or greater than $2,826,391 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by Fremont-Rideout Health Group and Rideout Memorial Hospital in connection with the operation and provision of medical services at the Hospital. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by Office of Statewide Health Planning Development for annual hospital reporting purposes. Fremont-Rideout Health Group and Rideout Memorial Hospital shall use and maintain a charity care policy that is no less favorable than its current charity care policy at the Hospital and in compliance with California and Federal law. The planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at the Hospital shall be decided upon by the Governing Board of Rideout Memorial Hospital (See Attachment 2.2(a) of the Affiliation Agreement attached hereto as Exhibit 2).

OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, “the determination of what is classified as . . . charity care can be made by establishing whether or not the patient has the ability to pay. The patient’s accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account.”
Fremont-Rideout Health Group's, Rideout Memorial Hospital's, Stone Point Health's, and Adventist Health System/West, D.B.A. Adventist Health's obligation under this Condition shall be prorated on a daily basis if the closing date of the Affiliation Agreement is a date other than the first day of Fremont-Rideout Health Group’s and Rideout Memorial Hospital’s, fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change as measured by the Consumer Price Index for the West Region of the United States.

If the actual amount of charity care provided at the Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Fremont-Rideout Health Group, Rideout Memorial Hospital, Stone Point Health, and Adventist Health System/West, D.B.A. Adventist Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide direct health care services to residents in the Hospital’s service area (17 ZIP codes), as defined on page 32 of the Health Care Impact Report, dated January 26, 2018, and attached hereto as Exhibit 1. Such payment(s) shall be made within four months following the end of such fiscal year.

VIII.

For six fiscal years from the closing date of the Affiliation Agreement, Fremont-Rideout Health Group, Rideout Memorial Hospital, Stone Point Health, and Adventist Health System/West, D.B.A. Adventist Health shall provide an annual amount of Community Benefit Services at the Hospital equal to or greater than $96,891 (the “Minimum Community Benefit Services Amount”) exclusive of any funds from grants. The planning of, and any subsequent changes to, the community benefit services provided at the Hospital shall be decided upon by the Governing Board of Rideout Memorial Hospital (See Attachment 2.2(a) of the Affiliation Agreement attached hereto as Exhibit 2).

Fremont-Rideout Health Group’s, Rideout Memorial Hospital’s, Stone Point Health’s, and Adventist Health System/West, D.B.A. Adventist Health’s obligation under this Condition shall be prorated on a daily basis if the closing date of the Affiliation Agreement is a date other than the first day of Fremont-Rideout Health Group’s and Rideout Memorial Hospital’s fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change as measured by the Consumer Price Index for the West Region of the United States.

If the actual amount of community benefit services provided at the Hospital for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Fremont-Rideout Health Group, Rideout Memorial Hospital, Stone Point Health, and Adventist Health System/West, D.B.A. Adventist Health shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in the Hospital’s service area (17 ZIP codes), as defined on page 32 of the Health Care Impact Report, dated January 26, 2018 and
attached hereto as Exhibit 1. Such payment(s) shall be made within four months following the end of such fiscal year.

IX.

For five years from the closing date of the Affiliation Agreement, Fremont-Rideout Health Group and Rideout Memorial Hospital shall:

a) Be certified to participate in the Medi-Cal program providing the same types and/or levels of emergency and non-emergency services to Medi-Cal beneficiaries as required in these Conditions at the Hospital;

b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at the Hospital to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause:

   i) Anthem Blue Cross or its successor; and
   ii) California Health and Wellness or its successor.

c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions at the Hospital.

X.

For five years from the closing date of the Affiliation Agreement, Fremont-Rideout Health Group and Rideout Memorial Hospital shall maintain its current contracts for a Sexual Assault Response Team and Sexual Assault Nursing Examination services with each law enforcement entity below unless terminated earlier by the law enforcement entity:

   i) Marysville Police Department;
   ii) Sutter County Sheriff Department;
   iii) Yuba City Police Department; and
   iv) Yuba County Sheriff’s Department.

XI.

For five years from the closing date of the Affiliation Agreement, Fremont-Rideout Health Group and Rideout Memorial Hospital shall maintain its current contracts with Sutter-Yuba Counties Behavioral Health to:

a) Collaborate in the management and treatment of patients presenting in the emergency department with severe behavioral health needs; and
b) Provide special dietary meals to the County Psychiatric Health Facility.

XII.

Stone Point Health, and Adventist Health System/West, D.B.A. Adventist Health must comply with the $90 million “Capital Investment” commitment set forth in section 3.3 of the Affiliation Agreement.

XIII.

Within one year of the closing of the Affiliation Agreement, Stone Point Health, and Adventist Health System/West, D.B.A. Adventist Health will initiate implementation of the Cerner Millennium Electronic Record System at the Hospital and the California Health and Safety Code section 1206(l) medical foundation clinics. Stone Point Health, and Adventist Health System/West, D.B.A. Adventist Health shall pay the costs for this implementation and such costs are not considered as part of the “Capital Investment” commitment set forth in section 3.3 of the Affiliation Agreement.

XIV.

Stone Point Health, and Adventist Health System/West, D.B.A. Adventist Health shall make the $3 million contribution to the Fremont-Rideout Foundation as required in section 3.2 of the Affiliation Agreement.

XV.

Fremont-Rideout Health Group and Rideout Memorial Hospital shall maintain privileges for current medical staff at the Hospital who are in good standing as of the closing date of the Affiliation Agreement. Further, the closing of the Affiliation Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at the Hospital.

XVI.

There shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at the Hospital. This prohibition must be explicitly set forth in Fremont-Rideout Health Group’s, Rideout Memorial Hospital’s and Stone Point Health’s written policies, adhered to, and strictly enforced.

XVII.

For six fiscal years from the closing date of the Affiliation Agreement Fremont-Rideout Health Group, Rideout Memorial Hospital, Stone Point Health, and Adventist Health System/West, D.B.A. Adventist Health shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Trustees and Chief Executive Officer of Fremont-Rideout Health Group, Rideout Memorial Hospital, and Stone Point Health shall each certify that
the report is true, accurate, and complete and provide documentation of the review and approval of the report by Fremont-Rideout Health Group’s, Rideout Memorial Hospital’s, Stone Point Health’s Board of Trustees and the Governing Board of Rideout Memorial Hospital (See Attachment 2.2(a) of the Affiliation Agreement attached hereto as Exhibit 2).

XVIII.

At the request of the Attorney General, all the entities listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

XIX.

Once the Affiliation Agreement is closed, all the entities listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General’s office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.
Analysis of the Hospital’s Service Area

Service Area Definition

The Hospital’s service area is comprised of 17 ZIP Codes from which approximately 94% of its discharges originated in 2016. Approximately 78% of the Hospital’s discharges originated from the top 4 ZIP Codes, located in Yuba City, Marysville and Olivehurst. In 2016, the Hospital’s market share in the service area was 57%.

<table>
<thead>
<tr>
<th>ZIP Codes</th>
<th>Community</th>
<th>Total Discharges</th>
<th>% of Discharges</th>
<th>Cumulative % of Discharges</th>
<th>Total Area Discharges</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>95991</td>
<td>Yuba City</td>
<td>2,945</td>
<td>25.2%</td>
<td>25.2%</td>
<td>4,453</td>
<td>66.1%</td>
</tr>
<tr>
<td>95901</td>
<td>Marysville</td>
<td>2,659</td>
<td>22.7%</td>
<td>47.9%</td>
<td>4,025</td>
<td>66.1%</td>
</tr>
<tr>
<td>95993</td>
<td>Yuba City</td>
<td>2,108</td>
<td>18.0%</td>
<td>65.9%</td>
<td>3,193</td>
<td>66.0%</td>
</tr>
<tr>
<td>95961</td>
<td>Olivehurst</td>
<td>1,469</td>
<td>12.6%</td>
<td>78.5%</td>
<td>2,626</td>
<td>55.9%</td>
</tr>
<tr>
<td>95953</td>
<td>Live Oak</td>
<td>562</td>
<td>4.8%</td>
<td>83.3%</td>
<td>1,044</td>
<td>53.8%</td>
</tr>
<tr>
<td>95932</td>
<td>Colusa</td>
<td>246</td>
<td>2.1%</td>
<td>85.4%</td>
<td>697</td>
<td>35.3%</td>
</tr>
<tr>
<td>95982</td>
<td>Sutter</td>
<td>172</td>
<td>1.5%</td>
<td>86.8%</td>
<td>279</td>
<td>61.6%</td>
</tr>
<tr>
<td>95948</td>
<td>Gridley</td>
<td>162</td>
<td>1.4%</td>
<td>88.2%</td>
<td>1,397</td>
<td>11.6%</td>
</tr>
<tr>
<td>95692</td>
<td>Wheatland</td>
<td>152</td>
<td>1.3%</td>
<td>89.5%</td>
<td>436</td>
<td>34.9%</td>
</tr>
<tr>
<td>95992</td>
<td>Yuba City</td>
<td>136</td>
<td>1.2%</td>
<td>90.7%</td>
<td>180</td>
<td>75.6%</td>
</tr>
<tr>
<td>95918</td>
<td>Browns Valley</td>
<td>105</td>
<td>0.9%</td>
<td>91.6%</td>
<td>228</td>
<td>46.1%</td>
</tr>
<tr>
<td>95919</td>
<td>Brownsville</td>
<td>91</td>
<td>0.8%</td>
<td>92.4%</td>
<td>179</td>
<td>50.8%</td>
</tr>
<tr>
<td>95962</td>
<td>Oregon House</td>
<td>58</td>
<td>0.5%</td>
<td>92.9%</td>
<td>118</td>
<td>49.2%</td>
</tr>
<tr>
<td>95935</td>
<td>Dobbins</td>
<td>45</td>
<td>0.4%</td>
<td>93.2%</td>
<td>93</td>
<td>48.4%</td>
</tr>
<tr>
<td>95674</td>
<td>Rio Oso</td>
<td>33</td>
<td>0.3%</td>
<td>93.5%</td>
<td>74</td>
<td>44.6%</td>
</tr>
<tr>
<td>95957</td>
<td>Meridian</td>
<td>33</td>
<td>0.3%</td>
<td>93.8%</td>
<td>67</td>
<td>49.3%</td>
</tr>
<tr>
<td>95903</td>
<td>Beale AFB</td>
<td>29</td>
<td>0.2%</td>
<td>94.1%</td>
<td>147</td>
<td>19.7%</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td></td>
<td><strong>11,005</strong></td>
<td><strong>94.1%</strong></td>
<td><strong>94.1%</strong></td>
<td><strong>19,236</strong></td>
<td><strong>57.2%</strong></td>
</tr>
<tr>
<td>All Other</td>
<td></td>
<td>696</td>
<td>5.9%</td>
<td></td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>11,701</strong></td>
<td><strong>100%</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: OSHPD Patient Discharge Database, 2016

Service Area Map

The Hospital’s service area has approximately 189,116 residents. There are two other hospitals located within the Hospital’s service area, Orchard Hospital and Colusa Medical Center. Colusa Medical Center was formerly named Colusa Regional Medical Center and closed in April 2016. Colusa Medical Center’s emergency department was re-opened in November 2017. There are 16 other hospitals located within 50 miles from the Hospital. The Hospital is the inpatient market share leader in the service area.
BYLAWS OF THE GOVERNING BOARD OF
RIDEOUT MEMORIAL HOSPITAL

The Board of Directors (the "Corporate Board") of Rideout Memorial Hospital, a California nonprofit public benefit corporation (the "Corporation") adopts these bylaws for the governing board (the "Governing Board") of Rideout Memorial Hospital and its provider-based ambulatory clinics (collectively, the "Hospital") to govern certain day-to-day operations of the Hospital. The Hospital is owned and operated by the Corporation: Stone Point Health, a California nonprofit public benefit corporation ("Stone Point Health") is the sole corporate member of the Corporation.

Article 1
Corporation Role and Purpose

1.1 Purpose. The Corporation is organized, pursuant to the Nonprofit Public Benefit Corporation Law of the State of California (the "Nonprofit Code"), The primary purposes of the Corporation are described in the Corporation's articles of incorporation ("Corporate Articles").

Article 2
Governing Board Role and Responsibility

2.1 General Principles of Delegation. The Corporation, which owns and operates the Hospital, is controlled and managed by the Corporate Board. All powers and functions with respect to the management and governance of the Hospital are vested in the Corporate Board as set forth in the bylaws of the Corporation (the "Corporate Bylaws") and the Nonprofit Code. Subject to its own oversight and ultimate authority as required by the Nonprofit Code, the Corporate Board has delegated (a) certain responsibilities and functions to the Governing Board as set forth in the Corporate Bylaws and these bylaws of the Governing Board (the "Governing Board Bylaws") and (b) certain powers and functions to the Corporation's president for the day-to-day management of the Hospital's business. The Corporation's president and the Governing Board shall exercise their delegated responsibilities and powers under the ultimate direction of the Corporate Board.

2.2 Delegation of Functions and Responsibilities. Subject to the oversight and ultimate authority of the Corporate Board, the Corporate Board delegates to the Governing Board, and the Governing Board shall be responsible to the Corporate Board for, the following responsibilities and functions:

(a) Providing institutional planning to meet the health care needs of the community the Hospital serves, including the Hospital's Community Health Needs Assessment and population health strategy;

(b) Providing market planning, including physician integration strategies;

(c) Determining that the Hospital, its employees, and the appointees of the Medical Staff conduct their activities so as to conform with the requirements and principles of all applicable laws and regulations, including the Health Care Quality Improvement Act;
(d) Reviewing the Hospital's annual operating budget and long-term capital expenditures plan and advising the Corporation's president regarding them;

(e) Organizing and supervising the Medical Staff of the Hospital, which includes approving the Medical Staff bylaws and rules and regulations, and ensuring that the Medical Staff establishes mechanisms to achieve and maintain high quality medical practice and patient care;

(f) Deciding upon Medical Staff appointments and reappointments, the granting of clinical privileges, and the reduction, modification, suspension, or termination of Medical Staff appointments and clinical privileges pursuant to the provisions of the Medical Staff bylaws;

(g) Ensuring the availability of programs for continuing education for Medical Staff appointees and appropriate in-service education programs for Hospital employees;

(h) Requiring the Medical Staff to periodically review the Medical Staff bylaws, rules and regulations, and policies governing the Medical Staff;

(i) Approving the adoption, amendment, or repeal of Medical Staff bylaws, rules and regulations, and policies governing the Medical Staff;

(j) Providing communication among duly authorized representatives of the governing body, the administration, and the Medical Staff;

(k) Ensuring that the Medical Staff is represented by attendance and has the opportunity to comment at all Governing Board meetings;

(l) Ensuring that all Medical Staff members practice within the scope of the clinical privileges delineated by the Governing Board;

(m) Requiring the development of a quality assurance program that includes a mechanism for review of the quality of patient care services provided by individuals who are not subject to the staff privilege delineation process, reviewing the quality assurance program on an ongoing basis, and ensuring that the Medical Staff is provided with the administrative assistance necessary to conduct quality assurance activities in accordance with the Hospital's quality assurance program;

(n) Reviewing and advising the Corporation's president regarding the short-range and long-range plans and goals for the Hospital in consultation with the Medical Staff and others;

(o) Establishing and approving policies and procedures for those functions of the Hospital that have been delegated to the Governing Board;

(p) Ensuring a safe environment within the Hospital for employees, Medical Staff, patients, and visitors;

(q) Organizing itself effectively so that it establishes and follows the policies and procedures necessary to discharge its responsibilities and adopts rules and regulations in accordance with legal requirements;
(r) Establishing and revising standards for the quality of service to be made available at the Hospital and Hospital policies implementing such standards;

(s) Maintaining liaison with the Corporate Board through the Corporation's president by sending to the chair of the Corporate Board notice of all meetings with an agenda and subsequent minutes of actions taken, and being available for and consulting with the Corporate Board;

(t) Evaluating the performance of the Governing Board;

(u) Cooperating with the Corporation's president to ensure that the Hospital obtains and maintains accreditation by the applicable accrediting bodies and eligibility for participation in the Medicare, Medicaid, or other payment programs selected by the Hospital;

(v) Monitoring the Hospital's performance through the regular review of reports from the Corporation's president on the overall activities of the Hospital;

(w) Reviewing and advising regarding Hospital services, including service line development;

(x) Reviewing and advising regarding Hospital philanthropic efforts; and

(y) Approving modifications or reductions in the types or levels of Hospital services.

Article 3
Governing Board Structure and Procedures

3.1 Composition of Governing Board. The Governing Board shall be appointed by the Corporate Board, with approximately one third of the members appointed each year, and shall be selected from individuals representing a variety of interests and abilities. The Governing Board shall consist of from twelve (12) to fifteen (15) members, depending upon the size and needs of the institution, as determined from time to time by the Corporate Board. Each member of the Governing Board shall be more than twenty-one (21) years of age, shall have an interest in health care matters, and shall support the goals, objectives, and philosophies of Stone Point Health.

3.2 Qualifications of Governing Board Members.

(a) Local and Corporate Governing Board Members. At least three-fourths (3/4ths) of the members of the Governing Board shall be individuals who reside or work in the geographic areas generally served by the Corporation ("Local Governing Board Members"), and the balance may be individuals appointed at the discretion of the Corporate Board ("Corporate Governing Board Members").

(b) Ex Officio. The Governing Board shall include the following:

1. The president of Stone Point Health, or the president's designee; and

2. The president of this Corporation.
(c) Medical Staff Physicians. The chief of staff of the Medical Staff may be a member of the Governing Board. In addition, up to three (3) other physicians who are members of the Medical Staff of a facility operated by the Corporation may be selected to serve as members of the Governing Board. Physicians may, at the discretion of the Governing Board, provide the liaison for communication between the Medical Staff and the Governing Board and thus function in lieu of a joint conference committee.

(d) Other Representatives. This category shall be composed of individuals other than the Medical Staff physicians who have expertise beneficial to the Corporation. Such Governing Board members shall be selected on the basis of the following considerations:

1. Well-known and respected among a significant segment of the population;
2. Involved in humanitarian activities, civic and service organizations, and community affairs;
3. Successful in personal business matters;
4. Ability to listen, to analyze, to think independently and logically, to make meaningful, relevant, and concise contributions to discussions, and to be generally helpful in the making of decisions; and
5. Possession of practical and technical or professional knowledge and skills that enable the giving of expert counsel beneficial to the Hospital.

3.3 Governing Board Nominating Committee. The Nominating Committee shall be appointed by the Governing Board and shall consist of five (5) Governing Board members. The Local Governing Board Members of the Governing Board shall have the right to select and approve at least three (3) of the five (5) members of the Nominating Committee from among the then current Local Governing Board Members. The Nominating Committee shall include the chair and vice chair of the Governing Board and the Corporation's president, with the vice chair of the Governing Board serving as chair of the Nominating Committee. In the event that the chair and/or vice chair of the Governing Board are also Local Governing Board Members, they shall be included among the three (3) Nominating Committee members subject to Local Governing Board approval. The Nominating Committee shall recommend candidates for election and reelection to the Governing Board and to fill vacancies in unexpired terms. The Corporate Board shall select Local Governing Board Members, and may select Corporate Governing Board Members from among the nominees recommended by the Nominating Committee.

3.4 Conflict of Interest Policy. Upon appointment to the Governing Board and annually, each member shall sign a conflict of interest form as required by the Corporate Board, certifying that the member has read, understands and is in complete compliance with the Corporate Board's conflict of interest policy.

3.5 Term of Office. Each Governing Board member, except for the individuals described in Section 3.2(b), Section 10.2 and the chief of staff of the Medical Staff (if the chief of staff is a Governing Board member), shall hold office for a term of two (2) years or until that person's successor has been elected and qualified or until that person's earlier resignation or removal, or until the member's office has been declared vacant in the manner provided in these Governing
3.6 Vacancies.

(a) When Vacancies Exist. A vacancy or vacancies on the Governing Board shall occur upon the death, resignation, or removal of any member, or if the authorized number of members is increased, or if the Corporate Board fails, at any annual or special meeting of the Corporate Board at which any Governing Board members are elected, to elect the full authorized number of members to be voted for at the meeting.

(b) Filling Vacancies. Any vacancy occurring on the Governing Board may be filled by an appointment by the Corporate Board upon a recommendation from the Governing Board. The Corporate Board shall fill Local Governing Board Member vacancies, and may fill Corporate Governing Board Member vacancies, from among the nominees recommended by the Nominating Committee.

3.7 Place of Meeting. Meetings of the Governing Board shall be held at any place within or without the state that has been designated by the chair or the Corporation's president or by resolution of the Governing Board. In the absence of this designation, meetings shall be held at the principal office of the Corporation. Any Governing Board meeting may be held by conference telephone, video screen communication, or electronic transmission. Participation in a meeting under this Section shall constitute presence in person at the meeting if both of the following apply: (a) each member participating in the meeting can communicate concurrently with all other members; and (b) each member is provided the means of participating in all matters before the Governing Board, including the capacity to propose, or to interpose an objection to, a specific action to be taken by the Governing Board.

3.8 Regular Meetings; Special Meetings. Regular meetings of the Governing Board shall be held at least quarterly at such time as is fixed by the chair of the Governing Board. Regular meetings of the Governing Board shall consist of those meetings reflected on the Corporation's annual calendar. Special meetings of the Governing Board for any purpose or purposes may be called at any time by the Corporation's president or the chair of the Governing Board.

3.9 Meeting Notices; Waiver. Written notice of the time and place of meetings (regular or special) shall be delivered personally to each member of the Governing Board or sent to each member by mail, or by other form of written communication, or by electronic transmission by the Corporation (as defined in Section 9.4), charges prepaid, addressed to the member at that member's address as it appears on the records of the Corporation. The notice shall be sent (a) for regular Governing Board meetings, at least fifteen (15) days, but not more than forty-five (45) days, before the time of the holding of the meeting; and (b) for special meetings, at least four (4) days before the time of the meeting, if notice is sent by mail, and at least forty-eight (48) hours before the time of the meeting, if notice is delivered personally, telephonically or by electronic transmission. Each member of the Governing Board must consent in writing to receipt of notice by electronic transmission, as provided in Section 9.4. The transaction of any meeting of the Governing Board, however called and noticed and wherever held, shall be as valid as though the meeting had been held after a call and notice if a quorum is present and if, either before or after the meeting, each of the Governing Board members not present signs a written waiver or notice of consent to hold the meeting or an approval of the minutes. All such
waivers, consents or approvals shall be filed with the corporate records or made a part of the
minutes of the meeting.

3.10 Quorum. A majority of the members of the Governing Board shall constitute a quorum
for the transaction of business. Except as otherwise required by law, the Corporate Articles, the
Corporate Bylaws or these Governing Board Bylaws, the members present at a duly called or
held Governing Board meeting at which a quorum is present may continue to transact business
until adjournment, even if enough members have withdrawn to leave less than a quorum, if any
action taken (other than adjournment) is approved by at least a majority of the members
required to constitute a quorum. If less than a quorum is present at a regular meeting, any
resulting actions shall be subject to the ratification of the Governing Board at the next meeting in
which a quorum is present.

3.11 Voting; Action without a Meeting. Each Governing Board member shall have one
vote on each matter presented to the Governing Board for action. No member may vote by
proxy. Any action by the Governing Board may be taken without a meeting if all members of the
Governing Board, individually or collectively, consent in writing or by electronic transmission to
this action. Such written or electronic consent shall be filed with the minutes of the proceedings
of the Governing Board.

3.12 Resignation and Removal. Any Governing Board member may resign by giving written
notice to the Governing Board chair or to the Corporation’s president. The resignation shall be
effective when the notice is given unless it specifies a later time for the resignation to become
effective. If a member’s resignation is effective at a later time, the Corporate Board, on the
Governing Board’s recommendation, may appoint a successor to take office as of the date
when the resignation becomes effective. Failure to attend three (3) consecutive meetings shall
automatically be considered to be a resignation from the Governing Board, unless written
reasons acceptable to the Governing Board chair are presented. A member of the Governing
Board may be removed from office at any time, either with or without cause, by the Corporate
Board. Notwithstanding the foregoing, no more than two (2) Governing Board members may be
removed without cause in any twelve (12) month period.

3.13 Compensation. The Governing Board members shall receive no compensation for their
services as members of the Governing Board.

3.14 Governing Board Records. The Governing Board members shall keep, or cause to be
kept at the Hospital, correct and complete books and records of accounts and correct and
complete minutes of the proceedings of the Governing Board’s meetings and the meetings of
committees of the Governing Board, if any. Copies of any and all such minutes shall promptly
be provided to the Corporate Board.

Article 4
Governing Board Officers

4.1 Officers. The officers of the Governing Board shall be a chair, a vice chair, and a
secretary. Any number of offices may be held by the same person. Designation as an officer of
the Governing Board shall not make such individual an officer of the Corporation.

4.2 Removal and Resignation of Officers. Any officer may be removed, at any time,
either with or without cause, by the Corporate Board. Any officer may resign at any time by
giving written notice to the Corporation's president, or to the chair or vice chair of the Governing Board. Any such resignation shall take effect upon receipt of such notice or at any later time specified therein. Unless otherwise specified therein, the acceptance of an officer’s resignation by any person shall not be necessary to make it effective.

4.3 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these Governing Board Bylaws for regular election or appointment to such office.

4.4 Chair of the Governing Board. Subject to Section 10.2 of these Governing Board Bylaws, the chair of the Governing Board shall be the president of Stone Point Health or such president’s designee. The chair shall preside at all meetings of the Governing Board and exercise and perform such other powers and duties as may be from time to time assigned by the Governing Board.

4.5 Vice Chair of the Governing Board. The vice chair of the Governing Board shall assist the chair in the conduct of the business of the Governing Board and shall preside at Governing Board meetings in the chair’s absence. The vice chair shall be a Local Governing Board member selected by the Governing Board and shall serve a two (2) year term.

4.6 President. In the absence of both the chair of the Governing Board and the vice chair of the Governing Board, the Corporation’s president shall preside at meetings of the Governing Board, provided that either the chair or vice chair has provided prior written approval for the Corporation’s president to do so. The Governing Board will be consulted in the selection and retention of the Corporation’s president. The chair of the Corporate Board shall appoint the Corporation’s president. The Corporate Board has delegated to the Corporation’s president the responsibility for the day-to-day management of the Hospital. The Corporation’s president has been vested with broad authority and charged with a wide range of duties, including the duties set forth in the Corporate Bylaws, which duties shall be carried out in consultation with the chair of the Governing Board. The Corporation’s president may be the chief executive officer of the Hospital, if designated by the Corporate Board chair, and shall have general supervision, direction and control of the day-to-day business and affairs of the Hospital. The Corporation’s president shall also have such other powers and duties as may be prescribed by the Corporate Board or the Corporate Bylaws. The Corporation’s president shall be primarily responsible for carrying out all proper orders and resolutions of the Governing Board.

4.7 Secretary. The Corporation’s president shall serve as secretary of the Governing Board and shall attend all meetings of the Governing Board and record all the proceedings of the meetings of the Governing Board in a book to be kept for that purpose. The secretary shall give, or cause to be given, notice for all special meetings of the Governing Board, and shall perform such duties as may be prescribed by the Governing Board.

#### Article 5

#### Governing Board Operations

5.1 General Functions. The Governing Board performs its delegated duties as a committee-of-the-whole rather than through an executive committee or other committees.

5.2 Committees. In the event that a committee of the Governing Board must be designated, the committee shall operate in the following manner:
(a) The Governing Board, at its discretion, by resolution adopted by a majority of the authorized number of members, may designate one (1) or more committees, each of which shall be composed of two (2) or more Governing Board members, to serve at the pleasure of the Governing Board. The Governing Board may designate one (1) or more members as alternate members of any committee. Committees designated to deliberate issues directly affecting the discharge of Medical Staff responsibilities shall include at least one (1) Governing Board member who is also a member of the Medical Staff.

(b) The Governing Board may delegate to any committee, to the extent provided in the resolution, any of the Governing Board's powers and authority except that the committee may not appoint or reappoint any person as a member of the Hospital's Medical Staff if that person's application presents any question or doubt as to whether the person should be a member of the Medical Staff. The committee may, however, make such appointment or reappointment if there are no evident issues questioning the person's qualifications to be a Medical Staff member.

(c) The Governing Board may prescribe appropriate rules, not inconsistent with these Governing Board Bylaws, by which proceedings of any such committee shall be conducted. The provision of these Governing Board Bylaws relating to the calling of meetings of the Governing Board, notice of meetings of the Governing Board and waiver of such notice, adjournments of meetings of the Governing Board, written or electronic consents to Governing Board meetings and approval of minutes, action by the Governing Board by written or electronic consent without a meeting, the place of holding such meetings, the quorum for such meetings, the vote required at such meetings, and the withdrawal of members after commencement of a meeting shall apply to committees of the Governing Board and action by such committees. In addition, any member of the Governing Board serving as the chair or as secretary of the committee, or any two (2) members of the committee, may call meetings of the committee. Regular meetings of any committee may be held without notice if the time and place of such meetings are fixed by the Governing Board or the committee.

5.3 Medico-Administrative Liaison. The Corporation's president shall function as a liaison between the Governing Board and the Medical Staff.

5.4 Education Programs. The Corporation's president shall provide orientation and continuing education programs for members of the Governing Board.

5.5 Volunteer Program. The Governing Board may establish a volunteer services department of the Hospital. If the Governing Board establishes such a department, the Governing Board shall maintain proper oversight and management of Hospital volunteers by ensuring that all volunteers provide volunteer work only as members of the volunteer services department.

5.6 Role in Accreditation. The Governing Board shall assist Hospital administration, as requested, in the accreditation process, including participation by one or more Governing Board representatives in the Hospital's survey and its summation conference.

5.7 Strategic Planning. The Governing Board, through the Corporation's president, shall establish a strategic planning process to evaluate periodically the Hospital's goals, policies, and programs. This strategic planning may be performed by a committee, which includes
representatives of the Governing Board, administration, Medical Staff, nursing, and other
departments/services as appropriate.

5.8 Compliance with Law and Regulations. The Governing Board, through the
Corporation's president, shall take all reasonable steps to ensure that the Hospital is in
conformance with applicable law and the requirements of authorized planning, regulatory, and
inspection agencies.

5.9 Control of Physical and Financial Resources.

(a) Stone Point Health maintains and operates its own financial and management
information systems. The purchasing and materials management policies and
procedures of Stone Point Health govern the Hospital's procedures for the purchase,
evaluation and distribution of supplies, and control of inventories.

(b) The Corporation carries property insurance, self-insures or self-retains to cover
damage to or destruction of the Hospital's property and any financial loss due to theft or
business interruptions, and has professional liability insurance, or self-insures or self-
retains, for acts performed by employees of the Hospital or Hospital volunteers within the
scope of their capacity and duties as employees or volunteers of the Hospital.

(c) The books of the Corporation shall be reviewed annually by an auditor selected
by Stone Point Health.

Article 6
Medical Staff

6.1 Organization. There exists a Medical Staff organization, known as the Medical Staff of
the Hospital, whose membership is comprised of all physicians who are privileged to attend
patients in the Hospital and, where appropriate, such dentists, podiatrists, and psychologists
who are privileged to attend patients in the Hospital. Only a member of the Medical Staff with
admitting privileges shall admit patients to the Hospital. Membership in the Medical Staff shall
be a prerequisite to the exercise of clinical privileges in the Hospital, except as otherwise
specifically provided in the Medical Staff bylaws.

6.2 Medical Staff Bylaws, Rules, and Regulations.

(a) Purpose. The Medical Staff shall propose and adopt by a majority vote bylaws,
rules, and regulations for its internal governance, which shall be effective only when
approved by the Governing Board, which approval shall not be unreasonably withheld.
The Medical Staff bylaws shall create an effective administrative unit to discharge the
functions and responsibilities assigned to the Medical Staff by the Governing Board.
The Medical Staff bylaws, rules, and regulations shall state the purpose, functions, and
organization of the staff, and shall set forth the policies by which the Medical Staff
exercises and accounts for its delegated authority and responsibilities. The Medical
Staff bylaws and rules and regulations shall create an administrative unit to discharge
the functions and responsibilities assigned to the Medical Staff by the Governing Board,
and such bylaws, rules and regulations shall be consistent with The Joint Commission
standards and recommendations, applicable law, applicable Hospital policy and the
Articles of Incorporation and Bylaws of this Corporation.
(b) Procedure. The Medical Staff shall have the initial responsibility to formulate,
adopt, and recommend to the Governing Board Medical Staff bylaws and amendments
thereof, which shall be effective when approved by the Governing Board. Proposed
Medical Staff bylaws changes will be presented to a meeting of the Governing Board
and sent to each Governing Board member at least seven (7) days prior to the meeting
at which a vote is to be taken on adoption of the proposed change. No Medical Staff
bylaws or amendments shall become effective without approval by the Governing Board
as provided above.

6.3 Medical Staff Executive Committee. There shall be an Executive Committee that
represents the Medical Staff, has responsibility for the effectiveness of all medical activities of
the Medical Staff and acts for the Medical Staff. The Executive Committee is a mechanism for
providing a clearly defined formal relationship between the Medical Staff organization and the
Chief Executive Officer of the Hospital. The members of the Executive Committee shall be
selected as described in the Medical Staff Bylaws.

6.4 Medical Staff Membership and Clinical Privileges.

(a) Delegation to the Medical Staff. The Governing Board delegates to the Medical
Staff the responsibility and authority to investigate and evaluate all matters relating to
Medical Staff membership status, clinical privileges and corrective action, and requires
that the staff adopt and forward to the Board specific written recommendations with appropriate
supporting documentation that will allow the Governing Board to take informed action.

(b) Action by the Governing Board. The Governing Board shall take final action on
all matters relating to the Medical Staff membership status, clinical privileges, and
corrective action after considering the staff recommendations, and subject to any
hearing rights under the fair hearing procedures set forth in the Medical Staff bylaws,
provided that the Governing Board shall act in any event if the staff fails to adopt and
submit any such recommendation within the time periods set forth in the Medical Staff
bylaws. Such Governing Board action without a staff recommendation shall be taken
only after appropriate notice to the staff and a reasonable time for the staff to act thereon
and shall be based on the same kind of documented investigation and evaluation of
current ability, judgment, and character as is required for staff recommendations. In the
event the Governing Board does not concur in a Medical Staff recommendation, it shall
refer the matter to a joint committee of the Governing Board and Medical Staff for review
and recommendation before a final decision is made by the Governing Board.

(c) Criteria for Board Action. In acting on matters of Medical Staff membership
status, the Governing Board shall consider the staff's recommendations, the needs of
the Hospital and the community, and such additional criteria as are set forth in the
Medical Staff bylaws. In granting and defining the scope of clinical privileges to be
exercised by each practitioner, the Governing Board shall consider the staff's
recommendations, the supporting information on which they are based, and such criteria
as are set forth in the Medical Staff bylaws. No aspect of membership status or specific
clinical privileges shall be limited or denied to a practitioner on the basis of sex, age,
race, creed, color, or national origin. Any differences between the Medical Staff and the
Governing Board regarding recommendations concerning membership status, clinical
privileges and corrective action shall be resolved within a reasonable period of time by
the Governing Board and the Medical Staff.
(d) Terms and Conditions of Staff Membership and Clinical Privileges. The terms and conditions of membership status in the Medical Staff and of the exercise of clinical privileges shall be as specified in the Medical Staff bylaws or as more specifically defined in the notice of individual appointment. Appointments to the Medical Staff may be for a maximum term of two (2) years.

(e) Procedure. The procedure to be followed by the Medical Staff and the Governing Board in acting on matters of membership status, clinical privileges, and corrective action shall be as specified in the Medical Staff bylaws, rules and regulations, and policies governing the Medical Staff.

6.5 Fair Hearing Procedures. The Governing Board shall require that any adverse recommendations made by the Executive Committee of the Medical Staff or any adverse action taken by the Governing Board with respect to a practitioner's staff appointment, reappointment, department affiliation, staff category, admitting privilege, or clinical privileges shall, except under circumstances for which specific provision is made in the Medical Staff bylaws and/or by contract, be accomplished in accordance with the Governing Board-approved fair hearing procedures then in effect. Such procedures shall be compliant with applicable law and shall ensure fair treatment and afford opportunity for the presentation of all pertinent information. For the purposes of this Section, an "adverse recommendation" of the Medical Staff Executive Committee and an "adverse action" of the Governing Board shall be as defined in the fair hearing procedures as indicated in the Medical Staff bylaws.

6.6 Allied Health Professionals. The Governing Board delegates to the Medical Staff the responsibility and authority to investigate and evaluate each category of allied health professional and each application by an allied health professional for specified services, department affiliation, staff category, admitting privilege, or clinical privileges may perform, and requires that the staff or a designated component thereof make recommendations to it or to its designee thereon. Final action on all such matters shall be taken by the Governing Board after considering the Medical Staff recommendations forwarded pursuant to Section 6.4, provided that the Governing Board shall act in any event if the Medical Staff does not adopt and submit any such recommendations within the time periods required by the Medical Staff bylaws. Such Governing Board action without a Medical Staff recommendation shall be based on the same kind of documented investigation and evaluation of current ability, judgment, and character as is required for a Medical Staff recommendation. Allied health practitioners shall consist of health professionals who are not members of the Medical Staff, but who desire to practice in some capacity within the Hospital. Allied health practitioners shall not have rights to fair hearing and appeals except as may expressly be provided in the Medical Staff Bylaws.

6.7 Department Chairs. The Governing Board delegates to the Medical Staff the responsibility and authority to evaluate and elect candidates to serve as chair for each basic and supplemental medical service in accordance with the procedure and for the terms specified in the Medical Staff bylaws.

6.8 Contractual, Medico-Administrative and Special Staff Officers. Medico-Administrative officer means a practitioner, engaged by or otherwise contracting with the Hospital on a full or part-time basis, whose duties include certain responsibilities which may be both administrative and clinical in nature. Clinical responsibilities are defined as those involving professional capability as a practitioner, such to require the exercise of clinical judgment with respect to patient care and include the supervision of professional activities of practitioners under his direction. A practitioner engaged by the Hospital in a purely
administrative capacity with no clinical duties or privileges is subject to the regular personnel policies of the Hospital and to the terms of his or her contract, or other conditions of engagement, and need not be a member of the Medical Staff. Conversely, a medical administrative officer must be a member of the Medical Staff. His or her clinical privileges must be delineated in accordance with the Medical Staff bylaws. His or her Medical Staff membership and clinical privileges shall not be dependent upon his or her continued occupation of that position, unless otherwise provided in an employment agreement, contract, other arrangement or Governing Board process that complies with state law.

6.9 Chief Executive Officer. The Chief Executive Officer, and any other person designated by the Corporate Board, shall be privileged to attend all meetings of the Medical Staff and shall be given notice of such meetings.

Article 7
Quality of Professional Services; Quality Assessment/Performance Improvement and Risk Management Program

7.1 Governing Board Responsibility. The Governing Board shall ensure:

(a) That the Medical Staff and administrative personnel prepare and maintain adequate and accurate medical records for all patients;

(b) That the person responsible for each basic and supplemental medical service cause written policies and procedures to be developed and maintained and that such policies be approved by the Governing Board and

(c) That the Medical Staff conduct specific review and evaluation activities to assess, preserve, and improve the overall quality and efficiency of patient care in the Hospital.

The Governing Board shall consider the recommendations of the Medical Staff respecting these review and evaluation activities and shall provide whatever administrative assistance is reasonably necessary to support and facilitate the implementation and ongoing operation of these review and evaluation activities.

7.2 Accountability to Governing Board. Subject to the ultimate authority of the Corporate Board, the Medical Staff shall conduct and be accountable to the Governing Board for conducting activities that contribute to the preservation and improvement of the quality and efficiency of patient care provided in the Hospital. These activities shall include:

(a) Conducting periodic meetings at regular intervals to review and evaluate the quality of patient care (generally on a retrospective basis) through valid and reliable patient medical records;

(b) Monitoring and evaluating patient care, identifying and resolving problems, and identifying opportunities to improve care through the Medical Staff committee assigned to oversee quality in the Medical Staff bylaws. This mechanism is to ensure the provision of the same level of quality of patient care regardless of the patient’s age, sex, religion, race, disability, or financial status. This mechanism is assured by all individuals with delineated clinical privileges, within the Medical Staff departments, across department/services, between members and the nonmembers of the Medical Staff who have delineated clinical privileges, the other professional services, and the Hospital.
administration. Such monitoring shall include, but is not limited to, evaluation of critical aspects of care, including antibiotic and drug usage, transfusion practices, tissue infections, mortalities and unexpected clinical occurrences;

(c) Management of clinical affairs, including enforcement of clinical policies and consultation requirements, initiation of disciplinary actions, surveillance over requirements for performance monitoring and for the exercise of newly-acquired clinical privileges, and like clinically oriented activities;

(d) Conducting systematic evaluation of practitioner performance against explicit, predetermined criteria;

(e) Defining the clinical privileges for members of the Medical Staff commensurate with individual credentials and demonstrated ability and judgment, and assigning patient care responsibilities to other health care professionals consistent with individual licensure, qualifications, demonstrated ability, and approved clinical privileges;

(f) Taking a leadership role in organization's QAPI activities to improve the quality and safety of care, treatment, and services, that is accountable to the Governing Board and the Corporate Board;

(g) Providing for continuing professional education fashioned in part on the needs identified through the review, evaluation, and monitoring activities and on new state-of-the-art developments; and

(h) Providing for such other measures as the Governing Board may, after considering the advice of the Medical Staff and other professional services and the Hospital administration, deem necessary for the preservation and improvement of the quality and efficiency of patient care.

7.3 Delegation to Hospital Administration. The Corporate Board delegates to the Hospital's Administration and holds it accountable for providing the administrative assistance reasonably necessary to support and facilitate the implementation and ongoing operation of the Hospital's quality assessment/improvement performance and risk management program, for implementing the quality assessment/improvement performance and risk management program as it concerns nonmedical professional personnel and technical staffs and patient care units, and for analyzing information and acting upon problems involving technical, administrative and support services and Hospital policy.

7.4 Documentation. At least annually, the Governing Board shall require, receive, consider and, as appropriate, act upon the findings and recommendations resulting from the activities required by this Article and all such findings and recommendations shall be in writing, signed by the persons responsible for conducting the activities and supported and accompanied by appropriate documentation and rationale upon which the Governing Board can take informed action, as required or necessary and can exercise effective oversight of the quality assessment/performance improvement and risk management program.
Attachment 2.2(a) – RMH Governing Board Bylaws

Article 8
Indemnification; Insurance

8.1 Advancement of Expenses. To the fullest extent permitted by law and except as otherwise determined by the Corporate Board in a specific instance (and in the Corporate Board’s sole and absolute discretion), expenses incurred by a member of the Governing Board seeking indemnification under this Article of these Governing Board Bylaws in defending any proceeding covered by this Article shall be advanced by the Corporation before final disposition of the proceeding, on receipt by the Corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately found that the person is entitled to be indemnified by the Corporation for those expenses. The Corporate Board must approve any advance to the Corporation’s president under this Section, prior to such advance being paid to the Corporation’s president.

8.2 Indemnification upon Successful Defense. If a Governing Board member is successful on the merits in defense of any proceeding, claim or other contested matter brought against the Governing Board member in connection with the Governing Board member’s actions or omissions in relation to the Corporation, the Corporation shall indemnify the Governing Board member against such member’s actual and reasonable expenses incurred in the defense against such proceeding or claim.

8.3 Indemnification upon Unsuccessful Defense. (a) Mandatory Indemnification. To the maximum extent permitted by law, the Corporation shall indemnify each of its present and former Governing Board members as qualifying for this mandatory indemnification (each of whom is an “indemnitee”) against expenses (collectively, “payments”) actually and reasonably incurred by such indemnitee in connection with defending that indemnitee against an action or proceeding. Notwithstanding the above, mandatory indemnification shall be given to a potential indemnitee only if all of the following apply:

1. The potential indemnitee was not a Governing Board member who was removed from one or more of their positions with this Corporation;

2. The action or proceeding against the indemnitee is based on or relates to an action or inaction taken by the indemnitee on behalf of the Corporation and within the scope of the indemnitee’s role or relationship with the Corporation;

3. The Corporate Board (excluding vacancies and directors who have a conflict of interest) has made all findings required by the Nonprofit Code (the indemnitee shall not be eligible to receive mandatory indemnification if such findings are not made by the Corporate Board); and

4. The potential indemnitee has not procured any illegal profit, remuneration or advantage, as determined by the Corporate Board in its sole discretion.

If a Governing Board member does not qualify for this mandatory indemnification, such Governing Board member might still receive discretionary indemnification as outlined below.

(b) Discretionary Indemnification. To the maximum extent permitted by law, the Corporate Board may in its sole discretion, by a majority vote (excluding vacancies and
directors with a conflict of interest), indemnify a Governing Board member (including former Governing Board members who were removed by the Corporate Board or Governing Board members not entitled to mandatory indemnification) (each of which is a "recipient") against any or all of the expenses, judgments, fines, settlements or other amounts actually and reasonably incurred by such recipient in connection with an action or proceeding against the recipient, subject to the following:

1. The action or proceeding against the recipient must be based on or relate to an action or inaction taken by the recipient on behalf of the Corporation and within the scope of the recipient's role or relationship with the Corporation;

2. The Corporate Board (excluding vacancies and directors who have a conflict of interest) must have made all findings required by the Nonprofit Code (the recipient shall not be eligible to receive this discretionary indemnification if such findings are not made by the Corporate Board); and

3. Indemnification is not available if the recipient is found to have procured illegal profit, remuneration or advantage.

8.4 Insurance. The Corporation shall have the power to purchase and maintain insurance on behalf of any member of the Governing Board against any liability asserted against or incurred by, that Governing Board member in such capacity or arising out of the Governing Board member's status as such whether or not the Corporation would have the power to indemnify that person against such liability under the provisions of this Article.

Article 9

General Provisions

9.1 Evaluation of Performance. The Governing Board shall establish a mechanism to evaluate its own performance on an annual basis.

9.2 Review and Amendment of Governing Board Bylaws. A bylaws committee, appointed by the Corporate Board, shall review these Governing Board Bylaws annually. Recommended amendments to the Governing Board Bylaws shall be forwarded to the Corporate Board for its decision. Any recommended amendments shall not be effective unless adopted by the Corporate Board. These Governing Board Bylaws may only be amended or repealed, and new Governing Board Bylaws adopted, by a vote of the Corporate Board; provided, however, that revisions to Sections 2.2, 3.2(a), 3.3, 3.6(b), 4.5, 9.2, 10.1, 10.2 and 10.3 of these Governing Board Bylaws must also be approved by a majority of the members of the Governing Board.

9.3 Corporate Bylaws. If any provision of these Governing Board Bylaws, other than Sections 2.2, 3.2(a), 3.3, 3.6(b), 4.5, 9.2, 10.1, 10.2 or 10.3, conflicts with the Corporate Articles or Corporate Bylaws, then the provision in the Corporate Articles or Corporate Bylaws shall prevail. If any provision in Sections 2.2, 3.2(a), 3.3, 3.6(b), 4.5, 9.2, 10.1, 10.2 or 10.3 of these Governing Board Bylaws conflicts with the Corporate Bylaws, then the provision in these Governing Board Bylaws shall prevail.
9.4 Electronic Transmission.

(a) "Electronic transmission by the Corporation" means a communication (1) delivered by (A) facsimile telecommunication or electronic mail when directed to the facsimile number or electronic mail address for that recipient on record with the Corporation; (B) posting on an electronic message board or network which the Corporation has designated for those communications, together with a separate notice to the recipient, which transmission shall be considered delivered upon the later of the posting or delivery of the separate notice thereof; or (C) other means of electronic communication; (2) to a recipient who has provided an unrevoked consent to the use of those means of transmission for communications pursuant to the Nonprofit Code; and (3) that creates a record that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.

(b) An electronic transmission to a Governing Board member must be preceded by or include a clear written statement to the recipient as to (1) any right of the recipient to have the record provided or made available on paper or in nonelectronic form; (2) whether the consent applies only to that transmission, to specified categories of communications, or to all communications from the Corporation; and (3) the procedures the recipient must use to withdraw consent.

(c) "Electronic transmission to the Corporation" means a communication (1) delivered by (A) facsimile telecommunication or electronic mail when directed to the facsimile number or electronic mail address which the Corporation has provided to Governing Board members for communications; (B) posting on an electronic message board or network which the Corporation has designated for those communications, which transmission shall be considered delivered upon posting; or (C) other means of electronic communication; (2) as to which the Corporation has placed in effect reasonable measures to verify that the sender is the Governing Board member purporting to send the transmission; and (3) that creates a record that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.

(d) "Electronic transmission" means any combination of electronic transmission by or to the Corporation.

Article 10
Initial Governing Board

10.1 Appointment of Initial Governing Board Members. Notwithstanding Section 3.1 above, as of the effective date of these Governing Board Bylaws, the Corporation has designated twelve (12) individuals to serve on the initial Governing Board: (a) nine (9) persons appointed by the Corporation's board of directors prior to its affiliation with Stone Point Health, who will serve as the Initial Local Governing Board Members of the Governing Board; and (b) three (3) persons appointed by Stone Point Health, including at least one (1) Stone Point Health executive, who will serve as the Initial Corporate Governing Board Members of the Governing Board. One half or the initial members of the Governing Board shall have a term of two (2) years and the balance shall have a term of one (1) year.
10.2 Chair and Vice Chair of the Initial Governing Board. Notwithstanding Section 4.4 above, a Local Governing Board Member shall serve as chair for at least the first three (3) years after the effective date of these Governing Board Bylaws. The chair shall preside at all meetings of the Governing Board and exercise and perform such other powers and duties as may be from time to time assigned by the Governing Board. Notwithstanding Section 4.5 above, so long as the chair is a Local Governing Board Member, a Corporate Governing Board Member shall serve as vice chair.

10.3 Sunset. As and when the time periods in this Article 10 expire, the respective provisions in this Article 10 shall sunset. Articles 1 through 9 shall continue in effect.

10.4 Effective Date. These Governing Board bylaws are to be effective at 12:01 a.m., Pacific Time, on __________, 2017.

Adopted by the Corporate Board on __________, 2017.

By: ___________________________

__________, Secretary