Grant

2003 Restated Bylaws

- Board of Directors -

March 13, 2003

COMMUNITY
MEDICAL CENTER

Board of Directors
Restated Bylaws-March 13, 2003
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COMMUNITY MEDICAL CENTER, INC.
2827 FORT MISSOULA RD.
MISSOULA, MT 59804
RESTATED BYLAWS
March 13, 2003

ARTICLE I

Purposes and Powers

The purposes of the Corporation are those stated in its Restated Articles of Incorporation. The Corporation shall have such powers as are now or may hereafter be granted by the Montana Nonprofit Corporation Act and its Articles of Incorporation.

ARTICLE II

Members

The members of the Corporation shall be duly elected or appointed voting directors as hereinafter provided;

ARTICLE III

Conflicts of Interest

The Board of Directors shall by resolution approve a conflict of interest policy for the Corporation that is consistent with and at least as protective as the applicable conflict of interest provisions under the Montana Nonprofit Corporation Act. The purpose of the policy is to protect the Corporation's interest when it is contemplating entry into a transaction or arrangement (a "conflict of interest transaction") that might benefit the private interest of a Director, officer of the Board, officer of the Corporation or member of a committee ("interested person"). The policy shall contain at least the following provisions: (a.) A definition or description of what constitutes a "conflict of interest transaction"; (b.) A definition or description of an "interested person"; (c.) A definition or description of when a person has a "financial interest" in a transaction or arrangement; (d.) Disclosure procedures; (e.) Procedures for determining whether the financial interest of an interested person may result in a conflict of interest; (f.) Procedures for addressing the conflict of interest after determining that there is a conflict, including voting requirements and procedures; (g.) Procedures for adequate record keeping; and, (h.) Procedures for ensuring that all Directors, principal officers and members of committees, understand and comply with the conflict of interest policy.

ARTICLE IV

Board of Directors

Section 4.1: General Powers

The affairs of the Corporation shall be managed by the Board of Directors. They shall attend appropriate meetings to establish policy, and provide direction for the management of the Medical Center. The Board of Directors' responsibilities shall include, but not be limited to, strategic planning, quality control, approving capital expenditures, annual budget, medical staff bylaws and appointments, and the overall policies and governance issues of the Corporation.

Section 4.2: Criteria for Selection

Directors shall be selected and will be representative of the area served by the Medical Center, based upon the individual's interest in health care and community service. Without establishing rigid quotas, attempts shall be made to have a cross section of occupations and backgrounds on the Board with the idea being that the Board members represents the citizens as a whole in the best interest of the Medical Center and are not representing a specific group.

Members of the medical staff shall be eligible for Board membership in the same manner as other individuals. Provided, however, to help ensure that Medical Center operates for public/community rather than private interests, no more than twenty percent (20%) of the voting Directors shall be physicians who are members of the medical staff or otherwise affiliated with Medical Center ("Affiliated Physicians").

Section 4.3: Nominations

Nominations for election of Directors shall be made by the Board Development Committee thirty (30) days prior to the October meeting, but nominations may be made from the floor by any member. The election of the Directors to be elected in any one year shall be at the October meeting. A majority vote shall be sufficient for election of the voting Directors.

Section 4.4: Number, Tenure and Qualifications

(a) Voting Directors.

The Board of Directors shall consist of fifteen (15) voting Directors, five (5) of whom shall be elected by plurality vote at each October meeting. The number of Directors may be increased or decreased from time to time by amending this Bylaw, but the number of Directors shall not be less than six (6). A maximum of twenty percent (20%) of the voting Directors may be Affiliated Physicians. Directors shall hold office for 3 years until the third October meeting following their election. A Director may be elected to a maximum, of three (3) full consecutive terms (nine years). After serving three full terms s/he must go off the Board for at least one (1) year before being eligible for reelection. The three (3) term limitation, however, shall only apply to current Directors after such Directors have been re-elected. Directors elected to fill vacancies on the Board of

Directors, however, shall serve only the remaining term in office resulting from the vacancy filled in order that the regular term of each Director shall consist of three (3) years. The election of a Director to fill a vacancy will not affect a Director's right thereafter to serve three (3) full consecutive terms. The Board, by a two-thirds (2/3) vote, may elect to leave Director positions vacant.

(b) Ex-Officio, Non-Voting Directors.

The Board of Directors shall also consist of the Medical Center Foundation President, President of the medical staff, a representative from the employed physicians' leadership council appointed by the leadership council, and such other ex-officio, non-voting Directors as may be appointed from time to time by the Board of Directors. These members shall be ex-officio Directors with no voting privileges. The terms of the President of the Medical Center Foundation and the President of the medical staff shall be co-extensive with their respective terms of office. The term of the Director appointed by the employed physicians' leadership council shall be for the term prescribed by the leadership council. The term for any other Director appointed by the Board of Directors shall be as prescribed by the Board of Directors when the appointment is made. If no term is prescribed, the term shall be for one (1) year.

Section 4.5: Regular Meetings

The regular meeting of the Board of Directors shall be held monthly at such place, day and hour as the Chair or the Board of Directors may designate in the notice thereof. Board members are expected to attend all meetings unless granted a leave of absence by the Board of Directors.

Section 4.6: Special Meetings

Special meetings may be called by or at the request of the Chair or by one-half (l/2) of the number of Directors fixed by Section 4.4 hereof. The person or persons authorized to call special meetings of the Board may fix any place within the State of Montana, as the place for holding any special meeting of the Board of Directors called by them.

Section 4.7: Notice of Special Meetings

Written notice stating the place, day and hour of any special meeting of the Board of Directors shall be delivered personally, electronically or by mail, to each Director at least two days before the date of such meeting, by or at the direction of the Chair or the Secretary/Treasurer. If mailed, the Notice of Meeting shall be deemed delivered when deposited in the United States mail, postage prepaid, addressed to the Directors at their addresses as shown on the records of the Corporation. Any Director may waive notice of any meeting, and the attendance of a Director at any meeting shall constitute a Waiver of Notice by such Director of such meeting, except where a Director attends a meeting for the express purpose of objection to the transaction of any business because the meeting is not lawfully called or convened for the transaction of such business. Neither the business to be transacted at, nor the purpose of, any regular or special meeting need be specified in the Waiver of Notice of such meeting, unless specifically required by law, by the Articles of Incorporation of the Corporation or by these Bylaws.

Section 4.8: Quorum

One-half (l/2) of the number of Directors fixed by Section 4.4 hereof shall constitute a quorum for the transaction of business at the Board of Directors meetings provided that if less than a quorum is present at the Board of Directors meetings a majority of the Directors present may adjourn the meeting and, if adjourned, such Directors shall give notice to all Directors of the place, day and hour of such rescheduled meeting.

Section 4.9: Manner of Acting

The act of a majority of the Directors present at a Board of Directors Meeting at which a quorum is present shall be the act of the Board of Directors, unless otherwise required by applicable law, by the Articles of Incorporation of the Corporation or by these Bylaws.

Section 4.10: Informal Action

Any action required to be taken at a meeting of the Board of Directors or any other action which may be taken at any such meeting, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the Directors. Such consent shall have the same effect as a unanimous vote.

Section 4.11: Resignation and Removal

Any Director may resign at any time by giving written notice to the Chair or the Secretary/Treasurer of the Corporation. Such resignation, which may or may not be made contingent on formal acceptance, shall take effect on the date or receipt or at any later time specified therein. Any Director may be removed by two-thirds (2/3) vote of all Directors of the Corporation with or without cause.

Section 4.12: Vacancies

Any vacancy occurring in the Board of Directors because of death, termination of membership, resignation, removal or otherwise, shall be filled by the act of the Board of Directors by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board, unless no members of the Board of Directors shall remain in office in which event, such vacancies shall be filled by act of the members of the Corporation. A Director elected to fill a vacancy shall hold office for the un-expired term of the Director whose vacancy is being filled, and until his or her successor shall have been elected and qualified. A directorship to be filled by reason of an increase in the number of Directors may be filled by the Board of Directors for a term of office continuing only until the next election of the Board. A reduction in the authorized number of Directors shall not serve to disenfranchise any Director prior to the expiration of the term for which he or she was elected.

Section 4.13: Self Assessments

The Board shall evaluate itself annually to determine whether or not it is fulfilling its role. The self evaluation process: Gauges the board's strengths and weaknesses. This information helps the board to build on its strengths and make necessary improvements to governance practices; and determine where the board lacks knowledge and expertise. Findings should be used to plan the educational component of the regular board meetings.

ARTICLE V

Officers

Section 5.1: Officers

The officers of the Corporation, who must be members of the Corporation shall be a Chair, a Vice Chair/Chair Elect, Immediate Past Chair, a President, an Executive Vice President, a Secretary/Treasurer and such Assistant Secretary/Treasurer and other officers as the Board of Directors may elect or appoint. The Chair shall be the Chief Executive Officer of the Corporation and the Board. The President shall be designated by the Board to carry out the duties and responsibilities as outlined in Section 5.8 below. Any two offices may be held by the same person, except the offices of Chair, President and Secretary/Treasurer, but no person shall hold more than two offices.

Section 5.2: Election and Term of Office

All officers of the Corporation shall be elected by the Board except the President and the Executive Vice President. The Chair, Vice Chair/Chair Elect, Secretary / Treasurer and the Assistant Secretary / Treasurer shall each be elected for a three (3) year term and until their successors are elected and qualified. The Immediate Past Chair, shall be elected for a term of one (1) year beginning the first day of the first month following his/her election and shall serve until his/her successors have been elected and qualified. The Vice Chair/Chair Elect will automatically become Chair of the Board at the end of the Chair's term. In appointing the President, the Board shall make a determination that the person so appointed is duly qualified to act as President, based upon his/her education and experience. All other officers elected by the Board shall hold office for a one (I) year term or until his/her successor is elected and qualified. The officers shall have duties, in addition to those expressed herein, as the Board shall specify from time to time.

Section 5.3: Resignation and Removal

Any officer may resign at any time by giving written notice to the Chair or to the Secretary/Treasurer. Such resignation, which may or may not be made contingent on formal acceptance, shall take effect on the date of receipt or at any later time specified therein. Any elected or appointed officer may be removed by majority vote of the Board, with or without cause, whenever in their judgment the best interests of the Corporation would be served thereby. At least five (5) days written notice of such a proposed removal shall be given to the entire Board by the Director or Directors proposing such action.

Section 5.4: Vacancies

A vacancy in any office because of death, termination of membership, resignation, removal or otherwise shall be filled by the act of the Board of Directors. An officer elected to fill such vacancy shall hold office only until the next October meeting of the Board of Directors and until a successor shall have been elected and qualified.

Section 5.5: Chair

The Chair shall be the Chief Executive officer of the Corporation and the Board and shall preside at all meetings of the Board and shall be an ex officio member of all committees.

Section 5.6: Vice Chair

The Vice Chair shall be the Chair-Elect, and shall perform such duties as may be assigned by the Board or the Chair. In the absence of the Chair, the Vice Chair and Chair-Elect shall perform the duties of the Chair with the full powers of, and subject to the restrictions of, the Chair. In the event that the position of the Chair becomes vacant for any reason, the Vice Chair shall succeed immediately to take the office of the Chair.

Section 5.7: Immediate Past Chair

The Immediate Past Chair shall continue as an officer of the Board for a period of one year following the completion of his or her term as Chair, to render such assistance with respect to matters pending during his/her term as Chair as may be requested by the Chair.

Section 5.8: President

The President shall be responsible for the overall administrative management of the Corporation. He/She shall be elected and appointed by the Board. The President shall be given the necessary authority to effect this responsibility, subject to such policies as may be adopted by the Board or any committees to which the Board has delegated power for such action. He or she shall be an ex officio member without vote of all committees of the Board of Directors and shall act as a duly authorized representative of the Board in all matters except those in which the Board has formally designated some other person or group to act. The authority and responsibility of the President shall include:

(a) Carrying out all policies established by the Board by advising on the formation of these policies.

(b) Developing and submitting to the Board of Directors for approval, a plan of organization for the conduct of the Medical Center operation and recommend changes when necessary.

c) Preparing an annual budget showing the expected revenue and expenditures as required by the Board or its Human Resources & Finance Committee.

(d) Selecting, employing, controlling, and discharging employees and developing and maintaining personnel policies and practices for the Medical Center.

(e) Maintaining physical properties in a good and safe state of repair and operating condition.

(f) Supervising business affairs to ensure that funds are collected and expended to the best possible advantage.

(g) Working continually with other health care professionals to the end that high-quality care may be rendered to the patients at all times.

(h) Presenting the Board, or its authorized committee, periodic reports reflecting the professional services and financial activities of the Corporation and such special reports as may be required by the Board.

(i) Attending all meetings of the Board and serve on committees thereof.

(j) Serving as the liaison and channel of communication between the Board and any of its committees and the Medical Staff and assisting the Medical Staff with its medico-administrative problems and responsibilities.

(k) Preparing a plan for the achievement of the Medical Center's objectives and periodically reviewing and evaluating the plans.

(l) Representing the Medical Center in its relationships with other health agencies, institutions, and the community.

(m) Performing such other duties as are necessary or desirable in the best interest of the Medical Center.

(n) To perform such other duties as the Board shall from time to time direct.

Section 5.9: Executive Vice President

The President shall select and appoint the Executive Vice President subject to the approval of the Board, who shall direct, supervise, and coordinate those internal functions of the Medical Center as is appropriate in the organizational structure, and shall assume all duties of the President during his or her absence or inability to act, and shall perform such other duties as the President may from time to time assign to the Executive Vice President.

Section 5.10: Secretary/Treasurer

The Secretary/Treasurer shall keep the Minutes of the meetings of the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; be custodian of the corporate records and of the seal of the Corporation; see that the seal of the Corporation is affixed to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these Bylaws.

If required by the Board of Directors, the Secretary/Treasurer shall give a bond for the faithful discharge of his/her duties in such sum and with such surety or sureties as the Board of Directors shall determine. S/he shall have charge and custody of and be responsible for all funds and securities of the Corporation, receive and give receipts for monies due and payable to the Corporation from any source whatsoever, and deposit all monies in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected by the Board of Directors; and, in general s/he shall perform all the duties incident of the office of Secretary/Treasurer and such other duties as from time to time may be assigned by the Chair or the Board of Directors.

Section 5.11: Assistant Officers

The Assistant Officers shall perform such duties as may be designated to them by the Secretary/Treasurer, the Chair or Board of Directors.

ARTICLE VI

Committees

Section 6.I: Standing Committees and Other Committees

The Chair of the Board of Directors shall appoint as Standing Committees a Medical Staff Liaison Committee(s), a Board Development Committee, a Human Resources Committee, a Finance Committee, a Marketing Committee and other Standing Committees as the Board may authorize from time to time. Other committees may be created by resolution of the Board of Directors or by appointment of the Chair of the Board of Directors. In addition, the President of the Corporation shall be a member ex officio of all committees of the Board.

At the time of the appointment of committees, the Chair shall designate a Committee Chair who shall report to the Board of Directors on a regular basis.

Section 6.2 Committee Meetings

Meetings of a Board Committee may be called by the Chair, the chair of the committee, or a majority of the committee's voting members. Each committee shall meet as often as is necessary to perform its duties, but not less than annually. Verbal notice of the time and place of any meeting of a Board committee shall be given at least one day prior to the meeting. At each committee meeting, a quorum shall be one-half of the number of the members of the committee and the committee shall have an agenda and submit Minutes of its meeting to the Board.

Section 6.3 Committee Tenure

Each member of a Board committee shall hold office until the next annual election of Directors and until a successor as a member of such Board committee has been appointed or qualified, unless s/he shall sooner cease to be a Director or shall resign or be removed from the Board or the committee.

Section 6.4 Resignation and Removal

Any member of a committee of the Board of Directors may resign at any time by giving written notice to the Chair of the committee or to the Secretary/Treasurer of the Corporation. Such resignation, which may or may not be made contingent on formal acceptance, shall take effect on the date of receipt or at any later time specified therein. Any member of a Board committee may be removed at any time by a resolution adopted by a majority of the Directors then in office.

Section 6.5: Membership in Committees

All committees except as specifically provided otherwise herein, shall consist of two or more Directors. Any member of the Corporation who is not a Director, however, may, if appointed by the Chair of the Board of Directors, or by resolution of the Board of Directors, serve in an advisory capacity to any committee without vote.

Section 6.6: Board Development Committee

The Board Development Committee shall be responsible for recruiting new members, nominating board members, orientation and development of new board members, organizing educational retreats and reviewing the Bylaws of the Corporation.

Section 6.7a: Human Resources

The Human Resources Committee shall consist of three or more members of the Board appointed by the Chair of the Board of Directors. The Committee's duties shall be to review the pension plan, employee benefits and other human resource issues annually. The actions of this Committee shall in all instances be subject to approval of the Board of Directors.

Section 6.7b: Finance Committee

The Finance Committee shall consist of three or more members of the Board appointed by the Chair of the Board of Directors. They shall formulate policies and plans for securing capital and operating funds for the Corporation, to review the capital and operating funds, to review the capital and annual operating budgets of the Medical Center, and to receive, review and evaluate the findings and final reports of the auditors and based thereon, make recommendations to the Board concerning the financial operation of, and services required by and provided, to the Corporation. The actions of this Committee shall in all instances be subject to approval of the Board of Directors.

Section 6.8: Medical Staff Liaison Committee(s)

Directors who are members of the Active medical staff shall be appointed to a committee that deliberates issues affecting the medical staff, i.e. assessment, needs and requests for acquisition of technology.

Section 6:9: Credentials Committee

The Credentials Committee shall consist of at least two members of the Board appointed by the Chair of the Board of Directors. To expedite appointments to the medical or allied health staff, reappointments to the medical or allied health staff, renewals or modifications of clinical privileges for an eligible applicant, the Committee has the authority to render an expedited decision by following the procedures set forth in this Section 6.9. Following a positive recommendation from the Medical Staff Executive Committee on an application, the Credentials Committee shall have the authority, but not the obligation, to review the application and evaluate the qualifications, credentials, character, standing, competence and other relevant information relating to the applicant. The Credentials Committee may approve the appointment or privileges requested in the application in whole or in part, or on any terms and/or conditions deemed appropriate by the Credentials Committee, which may include the condition that the approval may be revoked by the full Board of Directors. The full Board of Directors will consider and, if determined to be appropriate, ratify actions of the Credentials Committee at the next regularly scheduled meeting of the Board of Directors.

If the Credentials Committee decision is adverse to an applicant, the applicant's file information shall be returned to the Medical Staff Executive Committee for further evaluation.

Applicants are ineligible for this expedited process if any one or more of the following has occurred:

A. The application is incomplete;
B. The Medical Staff Executive Committee makes a final recommendation that is adverse or with limitation;
C. There is a current challenge or a previously successful challenge to licensure or registration;
D. The applicant has received an involuntary termination of medical staff membership at another organization, institution or facility;
E. The applicant has received involuntary limitation, reduction, denial, or loss of clinical privileges; or
F. There has been a final judgment adverse to the applicant in a professional liability action.

Section 6.10: Status of Committees

Each Standing Committee or other committee shall exercise the authority of the Board except that no committee shall have the authority of the Board of Directors in reference to amending, altering or repealing the bylaws; electing, appointing or removing any member of any such committee or any Director or officer of the Corporation; amending the Articles of Incorporation, restating the Articles of Incorporation, adopting a plan of merger or adopting a plan of consolidation with another corporation; authorizing the sale,

lease, exchange or mortgage of all or substantially all of the property and assets of the Corporation; authorizing the voluntary dissolution of the Corporation or revoking proceedings thereof; a plan for the distribution of the assets of the Corporation; or amending, altering or repealing any resolution of the Board of Directors which by its terms provides that it shall not be amended, altered or repealed by such committee. The designation and appointment of any such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any individual Director of any responsibility imposed upon it or him/her by law. Any member of a Board committee may be removed at any time by a resolution adopted by a majority of the Directors then in office.

ARTICLE VII

Medical Staff

Section 7.1: Appointment of Medical Staff

The Board of Directors shall appoint a medical staff composed of physicians and other health care professionals who are graduates of approved professional and/or medical schools, and licensed to practice in the State of Montana; shall see that it is organized into a responsible and administrative unit, and shall make such reasonable rules and polices for conduct of medical practice in the Medical Center as the Board of Directors deems to be to the greatest benefit in the care of patients. Only members of the medical staff with admitting privileges shall admit a patient to the Medical Center, and every patient so admitted shall be under the supervision of a physician. In the case of the individual patient, the physician duly appointed to the medical staff shall have full authority and responsibility for the care of that patient, subject only to such limitations as are contained in these Bylaws and in the Bylaws, Rules and Policies for the Medical Staff as adopted by the Board of Directors, and subject, further to any limitations attached to the appointment of such member.

Section 7.2: Qualifications

An applicant for membership on the medical staff shall be a graduate of an acceptable and accredited school of medicine, osteopathy, dentistry or podiatry, licensed to practice as a physician, dentist, or podiatrist in the State of Montana and must provide proof of medical malpractice insurance coverage.

Section 7.3: Application for Membership

Application for membership on the medical staff shall be presented in writing on the prescribed form which shall state the qualifications and references of the applicant, and shall also indicate by signature, the applicant's agreement to abide by the Bylaws, Rules and Policies of the Medical Staff and the Medical Center and releases the Medical Center and individuals processing the application.

Section 7.4: Temporary Privileges

Authority shall be given to the President of the medical staff and the Medical Center President to approve and grant temporary privileges to applicants for membership on the

medical or allied health staff. Such a grant of temporary privileges shall be given only upon the joint approval of both the President of the medical staff and the President of the Medical Center, and only if one or both of the following conditions has been satisfied:

(a) The privileges fulfill an important patient care need that cannot be provided by other credentialed, employed, or contract individuals; or

(b) The applicant has specialized training that is urgently needed to perform necessary clinical procedures.

Section 7.5: Procedure for Appointment

(a) The application for membership on the medical staff shall be processed by the Medical Staff Services Office, who shall submit the application to the appropriate department for recommendation of clinical privileges.

(b) The Medical Staff Credentials Committee through the Medical Staff Services Office, shall investigate the character, qualifications, and standing of the applicant and shall submit a report of findings and recommendations and the Data Bank Report at the next regular meeting of the Executive Committee of the medical staff, or as soon thereafter as reasonably possible. Recommendations shall be for acceptance, deferment, or rejection. This report shall be made within a reasonable time period from the date of receipt of the application by the Medical Staff Credentials Committee.

(c) Upon receipt of the report of the Medical Staff Credentials Committee, the Executive Committee of the medical staff shall act upon the application by recommending to the Board of Directors the acceptance, deferment or rejection of the applicant for appointment to the medical staff of the Medical Center.

(d) The action of the Executive Committee of the medical staff shall be transmitted to the Board of Directors through the President of the Medical Center.

(e) The Board of Directors shall either accept the recommendation of the Executive Committee of the medical staff or shall refer it back for further study and consideration by the staff. In the latter case, the Board of Directors shall instruct its secretary to inform the Executive Committee of the medical staff of the reason for such action.

(f) Upon final action of the Board of Directors on the application, the President is authorized to transmit the decision to the candidate for membership. Consummation of the appointment is effected by the signature of the applicant attesting to abide by the current Community Medical Center Bylaws, the Medical Staff Bylaws and the Medical Staff Rules & Regulations that apply to his or her activities as a staff member.

Section 7.6: Terms of Appointment

Appointment to the medical staff shall be made by the Board of Directors for a period of two years. Every two years the Medical Staff's Executive Committee shall submit to the Board of Directors a list of members worthy of and recommended for reappointment. Should the Board of Directors desire to take the initiative in refusing appointment for any member, or to abrogate an appointment previously made, it shall so advise the Executive Committee of the Medical Staff, stating its reasons, and asking that an investigation and recommendation be made, by the Medical Staff before final action is taken. In no case shall the Board of Directors refuse to renew an appointment or cancel an appointment previously made, without requesting investigation and recommendations from the Active medical staff. Upon submission of such recommendations by the Active medical staff, the Board of Directors shall act upon the matter, which action will be final subject, of course, to any applicable appellate or fair hearing right.

Section 7.7: Termination of Membership

Membership may be terminated by resignation. In case of a member moving from the area covered by staff membership or, no longer in attendance on patients in the Medical Center, which change may be considered as permanent, such member may be carried on the staff with Non-Resident Courtesy Staff status for a one-year period unless privileges would expire soon. At the end of the year, the Executive Committee of the medical staff shall recommend to the Board of Directors for the termination of the staff membership for that individual. The termination of membership of any staff member, other than voluntarily shall be in accordance with the procedures outlined in the Medical Staff Bylaws.

Section 7.8: Ethics and Ethical Relationships

The Code of Ethics, as adopted by the American Medical Association and the American College of Surgeons, shall govern the professional conduct of all members of the medical staff. Specifically, all members of the medical staff shall pledge themselves that they shall look to the patient directly for remuneration for professional services, that they shall not practice the division of fees under any guise whatsoever.

Section 7.9: Status of Medical Staff

Membership on the medical staff shall not of itself constitute membership in the Corporation, but any member of the medical staff may become a member of the Corporation upon fulfilling the conditions set forth in Article II hereof.

Section 7.10: Medical Care and Its Evaluation

(a) The Board shall, in the exercise of its discretion, delegate to the Medical Staff the responsibility for providing appropriate professional care to the Medical Center's patients. Only a licensed practitioner with clinical privileges shall be directly responsible for a patient's diagnosis and treatment.

(b) The Medical Staff shall make recommendations to the Board concerning: (I) appointments, reappointments and alterations of staff status; (2) granting of clinical privileges; (3) disciplinary actions; (4) all matters relating to professional competence; and (5) such specific matters as may be referred to it by the Board.

Section 7.11: Medical Staff Bylaws

There shall be Bylaws, Rules and Policies for the medical staff, setting forth its organization and government. The Medical Staff shall have the initial responsibility to formulate, adopt and recommend to the Board Medical Staff Bylaws and amendments thereto, but only those adopted by the Board shall become effective. The Bylaws, Rules and Policies shall state the purposes, functions and policies by which the Medical Staff exercises and accounts for its delegated authority and responsibilities, and shall include such matters as the structure of the medical staff, the mechanism used to review credentials and to delineate individual clinical privileges, individual medical staff membership, specific clinical privileges for each eligible individual, the organization of the quality assurance activities of the medical staff as well as the mechanism used to conduct, evaluate and revise such activities, the mechanism for terminating membership on the medical staff, and the mechanism for fair hearing procedures.

Section 7.12: Fair Hearing Plan

The Board shall require that any adverse recommendation made by the Executive Committee of the Medical Staff or any adverse action taken by the Board with respect to a practitioner's staff appointment, reappointment, department affiliation, staff category, admitting prerogatives or clinical privileges, shall, except under circumstances for which specific provision is made in the Medical Staff Bylaws, be accomplished in accordance with the Board's Fair Hearing Plan then in effect. Such Plan shall provide for procedures to assure fair treatment and afford opportunity for a presentation of all pertinent information an "adverse recommendation" of the medical staff's Executive Committee and an "adverse action" of the Board shall be as defined in the Fair Hearing Plan. Whenever the Board does not concur with the Medical Staff recommendation relating to clinical privileges, the Plan shall provide for a review of the recommendation by the Executive Committee of the Medical Staff before a final decision is reached by the Board.

Section 7.13: Medical Administrative Positions

The President, subject to the limitation contained herein, is authorized to enter into a contract for the administration or management of any Medical Center department with any physician who is a member of the medical staff. The contract is subject to the approval of the Board of Directors. Any contract for such a medical administrative position may, after investigation by the medical staff's Executive Committee, and a recommendation of termination based on a two-thirds (2/3) vote of the medical staff's Executive Committee, may be terminated by a two-thirds (2/3) vote of the Board of Directors. Any such termination of a medical administrative contract, without further action as provided in Section 7.7 hereof, shall not in any way affect a physician's status or privileges as a member of the Medical Staff, nor shall such a decision be subject to the Fair Hearing Plan.

ARTICLE VIII

Section 8.1: Quality Improvement Program

The Board shall require, after considering the recommendations of the Medical Staff and the other care professional staffs providing patient care services, the conduct of specific review and evaluation activities to assess, preserve and improve the overall quality and efficiency of patient care in the Medical Center. The Board, through the President, shall provide whatever administrative assistance is reasonably necessary to support and facilitate the implementation and ongoing operation of these review and evaluation activities.

The Board shall require the medical staff and department directors, and others as appropriate, to review and revise all department and/or service policies and procedures at least once every three years.

The medical staff shall conduct a continuing review and appraisal of the quality of professional care rendered in the Medical Center and shall report such activities and their results to the Board. These activities shall include:

(a) Review and evaluation of the quality of patient care through a valid and reliable patient care audit procedure to assure the availability of equivalent levels of care to all patients with the same health problem.

(b) Ongoing monitoring of patient care practices through the defined functions of the Medical Staff, the other professional services and the hospital administration.

(c) Delineation of clinical privileges for members of the medical staff commensurate with individual credentials and demonstrated ability and judgment and assignment of patient care responsibilities to other health care professionals consistent with individual qualification and demonstrated ability.

(d) Provision of continuing professional education, shaped primarily by the needs identified through the review and evaluation activities.

(e) Review of utilization of the Medical Center's resources to provide for their allocation to patients in need of them.

(f) Such other measures as the Board may, after considering the advice of the medical staff, other professional services, and the Medical Center administration, deem necessary for the preservation and improvement of the quality and efficiency of patient care.

The Board shall require, receive, consider and act upon the findings and recommendations emanating from the activities required by paragraph three (3) of this Article. All such findings and recommendations shall be in writing, signed by the persons responsible for conducting the review activities, and supported and accompanied by appropriate documentation upon which the Board can take informed action.

The Board monitors job performance of all employees that are not members of the medical staff through the Quarterly Quality Improvement Reports.

ARTICLE IX

Volunteers

Section 9.1: Auxiliary Organizations and Volunteers

The Board of Directors shall have the right and duty to authorize and oversee what auxiliary organization it deems appropriate and beneficial to the Medical Center. The Bylaws of such organizations must delineate their purposes and functions and must be approved by the Board of Directors in order for such auxiliary organizations to be authorized. The activities of such organizations and of all volunteers functioning in the Medical Center shall be monitored by the Board of Directors through the President or a designated Medical Center employee.

Section 9.2: Auxiliary Organizations

The Board recognizes that the Community Medical Center Auxiliary is an auxiliary organization working as an integral part of the organization, self-governing, but not autonomous, exercising certain rights, as authorized by the Board, pursuant to Section 6.15, to represent and assist the institution subject to responsibility in the exercise of these rights to the President of the Medical Center.

Section 9.3: Purpose

The Board recognizes that the purpose of the auxiliary organizations is to render services to Community Medical Center and its patients and to assist Community Medical Center in promoting the health and welfare of the community in accordance with objectives established by the Medical Center.

Section 9.4: Actions of Auxiliary Boards

All actions of any auxiliaries' boards of directors are subject to the approval of the Board or the Medical Center's President. Within the above limitations, any auxiliaries' boards of directors shall be empowered to manage and control the property and funds of their respective auxiliaries, to approve their respective annual operating budget, and to administer the affairs of the auxiliaries on behalf of the membership and in a manner consistent with the Bylaws of the Medical Center and auxiliary.

Section 9.5: Auxiliary Membership

The membership of the auxiliaries can collect dues and use these funds for the benefit of the membership only. All expenditures from funds earned through activities of the respective auxiliaries in the Medical Center shall be subject to the approval of the Medical Center's Board or its designee.

ARTICLE X

Contracts, Checks, Deposits and Funds

Section 10.1: Contracts

The Board of Directors may authorize any officer or officers, agent or agents of the Corporation in addition to the officers so authorized by these Bylaws, to enter into any contract or and deliver any instrument in the name of and on behalf of the corporation and such authority may be general or confined to specific instances.

Section 10.2: Checks, Drafts, Etc.

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors. In the absence of such determination by the Board of Directors, such instruments shall be signed by the Secretary/ Treasurer and countersigned by the Chairman, President or Executive Vice President of the Corporation.

Section 10.3: Loans

No loans shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board. Such authority may be general or confined to specific instances.

Section 10.4: Deposits

All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

Section 10.5: Gifts

The Board of Directors may accept on behalf of the Corporation any contribution, gift, bequest or devise for the general purposes or for any special purpose of the Corporation.

ARTICLE XI

Fiscal Year

The fiscal year of the Corporation shall begin on the first day of July and end on the last day of June in each year.

ARTICLE XII

Seal

The Board of Directors shall provide a Corporate Seal which shall be in the form of a circle and shall have inscribed thereon the name of the Corporation and the words "Corporate Seal, Montana".

ARTICLE XIII

Compensation

Neither directors nor officers shall receive any salary for their services except that by resolution of the Board of Directors, actual expenses of attendance, if any, may be allowed for attendance at the meetings of the Board. Any officer or Director of the Corporation may also perform professional services for the Corporation and receive reasonable compensation therefore; otherwise, no Director or officer shall receive compensation for serving the Corporation in any other capacity. No relative of a Director or officer may receive compensation from the Corporation except reasonable compensation for services performed to the same extent as if such services were performed independently for other employers.

ARTICLE XIV

Not For Profit Corporation

The Corporation shall at all times be operated on a not-for-profit basis and no interest or dividend shall be paid or payable by the Corporation to any director or officer as such.

ARTICLE XV

Waiver of Notice of Meeting

Whenever any notice is required to be given to any Director of the Corporation under the provisions of these Bylaws or under the provisions of the Articles of Incorporation or under the provisions of the Montana Nonprofit Corporation Act, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XVI

Amendments

The Board of Directors, Development Committee, shall meet annually to review the Bylaws and make recommendations, when necessary, to the Board of Directors for adoption of new Bylaws or for revision of existing Bylaws.

These Bylaws may be altered, amended or repealed and amendments to these Bylaws may be adopted at any meeting called for such a purpose by a two-thirds (2/3) vote of the members of the Board of Directors or by an affirmative vote of the members of the Corporation holding two-thirds (2/3) of the votes entitled to be cast providing the membership receives 30 days notice of any amendments to these Bylaws.

ARTICLE XVII

Books and Records

The Corporation shall keep correct and complete books and records of account and shall keep Minutes of the proceedings of its Board

ARTICLE XVIII

Indemnification

Section One: Indemnification of Directors

A. **General:** Except as limited as outlined in subsection (d.) of this Section One, an individual made a party to a proceeding because the individual is or was a Director of the Corporation will be indemnified against liability incurred in the proceedings, but only if the indemnification is both: 1. Determined permissible as provided in subsection (b.) of this Section One; and 2. Authorized as provided in subsection (b.) of this Section One.

B. **Determination and Authorization:** The Corporation shall not indemnify a Director under this Section unless: 1. Determination – Determination has been made in accordance with procedures set forth in the Montana Nonprofit Corporation Act that the Director meets the standard of conduct set forth in subsection (c.) of this Section One; and 2. Authorization– Payment has authorized in accordance with procedures set forth in the Montana Nonprofit Corporation Act based on a conclusion that: the expenses are reasonable, the Corporation has the financial ability to make the payment, and the financial resources of the Corporation should be developed to this use rather than some other use by the Corporation.

C. **Standard of Conduct:** The individual shall demonstrate that: 1. The individual acted In good faith; and 2. The individual reasonably believed (a.) in acting in an official capacity with the Corporation, that the individual's conduct was in the Corporation's best interest; (b.) In all other cases, that the individual's conduct was at least not opposed to the Corporation's best interest and, (c.) In the case of any criminal proceeding, that the individual had no reasonable cause to believe that the conduct was unlawful.

A. Director's conduct with respect to an employee benefit plan for a purpose the Director reasonably believed to be in the interests of the participants in or beneficiaries of the benefit plan is conduct that satisfies the requirement of subsection C. 2. (b.) of this Section One. The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, is not, of itself, a determination that the Director did not meet the standard of conduct described in this subsection C of this Section One.

D. **No Indemnification Permitted in Certain Circumstances:** The Corporation shall not indemnify a Director under this Section One if: 1. The Director was adjudged liable to the Corporation in a proceeding by or in the right of the Corporation; or, 2. The Director was adjudged liable in any other proceeding charging that the Director improperly received personal benefit, whether or not the individual acted in an official capacity.

E. **Indemnification Limited:** Indemnification permitted under this Section one in connection with a proceeding by the Corporation or in the right of the Corporation is limited to the reasonable expenses incurred in connection with the proceeding.

Section Two: Advance Expenses for Directors

The Corporation may pay for or reimburse, in advance of final disposition of the proceedings, the reasonable expensed incurred by A Director who is a party to a proceeding if:

A. By following the procedures set forth in the Montana Nonprofit Corpora ion Act: 1. It is determined that based on the facts then known, such facts would not preclude indemnification under Montana law as set forth in Section One; and 2. An advance payment to a Director is authorized.

B. The Director has furnished the Corporation with a written affirmation of the Director's good faith belief that the Director has met the standard of conduct described in Section One above; and,

C. The Director has provided the Corporation with a written undertaking, executed personally or on the Director's behalf, to repay the advance if it is ultimately determined that the Director did not meet the required standard of conduct; the Director's undertaking must be an unlimited general obligation, but need not be secured, and the Corporation may accept the undertaking without reference to financial ability to make repayment.

Section Three: Indemnification of Officers, Agents and Employees

The Board of Directors may choose to indemnify and advance expenses to any officer of the Board of the Corporation or to any employee or agent of the Corporation, applying the standards described in Sections One and Two above.

Section Four: Mandatory Indemnification

Notwithstanding any other provisions of these Bylaws, the Corporation shall indemnify a Director or officer, who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which the Director or officer was a party because he or she is or was a Director of the Corporation or an officer of the Board or the Corporation, against expenses incurred by the Director or officer in connection with the proceeding.

Section Five: Court-Ordered Indemnification

A Director or officer of the Board of the Corporation, may apply for a court-ordered indemnification as permitted by the Montana Nonprofit Corporation Act.

Section Six: Director and Officer Liability Insurance

The Corporation may purchase and maintain a Director and officer liability insurance policy insuring the Corporation and its individual Directors and officer against liability and the costs of defending a claim or paying a settlement or decision. The right of the Director and officer to indemnification by the Corporation shall be in addition to, and not exclusive of, al other rights to indemnification to which he or she otherwise may be entitled, including any rights to indemnification under the terms of Director and officer liability insurance policy.

ARTICLE XIX

Investments

The corporation shall have the right to retain all or any part of any securities or property acquired by it in whatever manner, and to invest and reinvest any funds held by it, according to the judgment of the Board, without being restricted to the class of investments which a director is or may hereafter be permitted by law to make or any similar restriction; provided, however, that no action shall be taken by or on behalf of the corporation if such action is a prohibited transaction or would result in the denial of the tax exemption under Section 501(c)(3) of the Internal Revenue Code and its Regulations as they now exist, or as they may hereafter be amended.

ARTICLE XX

Exempt Activities

Not withstanding any other provision of these bylaws, no director, officer, employee or representative of this corporation shall take any action or carry on any activity by or on behalf of the corporation not permitted to be taken or carried on by an organization exempt under Section 501(c) (3) of the Internal Revenue Code and its Regulations as they now exist or as they may hereafter be amended, or by organization contributions to which are deductible under Section 170(c)(2) of such Code and Regulations as they now exist or as they may hereafter be amended.

ARTICLE XXI

Advisory Council

An Advisory Council shall be established by the Board of Directors for the purpose of acting as a liaison between the Medical Center and its service area. Members of the Advisory Council shall be representative of the demographic service area of Community Medical Center, Missoula, Montana. The Advisory Council□s duties and responsibilities shall be limited to an advisory capacity in all matters pertaining to the Board of Directors

or on behalf of or bind the Board of Directors or the Medical Center. The Advisory Council shall meet as often as is deemed necessary by the Board of Directors, but not less frequently than annually. Reasonable notice of at least fourteen (14) days of any meeting shall be given to members of the Advisory Council at the direction of the Chair or Secretary/Treasurer of the Board of Directors unless a shorter notice period is approved by the Board. Members of the Advisory Council shall be eligible to serve as members on any committee of the Board of Directors.

Prospective members of the Advisory Committee shall be nominated by the Board Development Committee and elected by the Board of Directors. The Advisory Council shall consist of a maximum of twenty-one (21) persons. Seven (7) members of the initial Advisory Council shall be elected for a term of one (1) year, seven (7) members shall be elected for a term of two (2) years, and seven (7) members shall be elected for a term of three (3) years to provide for staggered terms. All members shall be elected for and serve a term of three (3) years until the third October Board Meeting following their election, unless such member sooner resigns or is removed at anytime by a majority vote of the Board of Directors. Members of the Advisory Council shall be elected by a plurality vote at each October Board Meeting. An Advisory Member elected to fill a vacancy shall hold office for the un-expired term of the Advisory member whose vacancy is being filled, and until his or her successor shall have been elected and qualified. A member of the Board of Directors shall be appointed annually to serve as a liaison to the Advisory Council, and Chair the Advisory Council Meetings.

Members of the Advisory Council may be elected for a maximum of three (3) full consecutive terms. After serving three (3) full consecutive terms, a member of the Advisory Council must go off the Advisory Council for at least one (1) year before being eligible for reelection.

CERTIFICATION

I Mike Stewart, M.D., Secretary/Treasurer of COMMUNITY MEDICAL CENTER, INC., a Montana nonprofit corporation, do hereby certify that the annexed is a full, true and correct copy of the Restated Bylaws of COMMUNITY MEDICAL CENTER, INC. as recorded in the official Minute Book of COMMUNITY MEDICAL CENTER, INC. on March 13, 2003

(Seal)

Michael Stewart MD

Mike Stewart, MD, Secretary/Treasurer

SUBSCRIBED AND SWORN TO before me this 13th day of March 2003.

J Bernice McCallum

Notary Public for the State of Montana.
Residing at Missoula, MT
My commission expires 06/25/06.

Bylaws 3/13/03

J. BERNIECE MCCALLUM NOTARIAL SEAL STATE OF MONTANA

NOTARY PUBLIC-MONTANA
Residing at Missoula, Montana
My Comm. Expires 06/25/06