

# COMMUNITY MEDICAL CENTER

## Board of Directors

### Bylaws

#### **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: Conflict 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").

#### **Article IV: Board of Directors**

##### **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, oversight and approval of the strategic plan, quality control, capital expenditures, annual budget, medical staff bylaws and appointments, and the overall policies and governance issues of the Corporation.

##### **4.2 Criteria for Selection**

Directors shall be selected based upon governance need and the individual's skills, experiences, healthcare interest and community service. Without establishing rigid quotas, attempts shall be made to have a cross-section of occupations and backgrounds on the Board representative of the community.

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, up to four (4) of the voting Directors shall be physicians who are members of the medical staff or otherwise affiliated with Community Medical Center ("Affiliated Physicians").

##### **4.3 Nomination**

Nominations for election of Directors shall be made by the Board Governance Committee thirty (30) days prior to the annual 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 annual meeting. A majority vote shall be sufficient for election of the voting Directors.

##### **4.4 Number, Tenure and Qualifications**

###### **(a) Voting Directors**

The Board of Directors shall consist of up to fifteen (15) voting Directors, five (5) of whom shall be elected by plurality vote at each annual 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 four (4) of the

voting Directors may be Affiliated Physicians. Directors shall hold office for three (3) years until the third annual 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 limitation of three (3) full consecutive terms (nine years) will not apply to any Director who during his or her term is elected as an officer of the Board for a three (3)-year term under Section 5.2 and whose maximum nine (9)-year term as a Director will expire prior to the expiration of such officer's three (3)-year term. In such event the Director's maximum nine (9)-year term limit shall be extended to expire upon the expiration of such Director's three (3)-year term as a Board officer. In no case will any Director serve beyond 12 consecutive years.

The limitation of three (3) full consecutive terms (nine years) will also not apply to any Director who during his or her term is elected for up to three (3) one-year terms as the Chair of the Board under Section 5.2 and whose maximum nine (9)-year term as a Director will expire prior to the expiration of such Director's three (3) one-year terms as Chair of the Board. In such event the Director's maximum nine (9)-year term limit shall be extended to expire upon the expiration of such Director's three (3) one year-terms as Chair of the Board. In no case will any Director serve beyond 12 consecutive years.

~~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) three-year terms. 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 may elect to leave Director positions vacant.

(b) Ex-officio Non-voting Directors

The Board of Directors shall also consist of the Immediate Past Chair of the Board, the Medical Center Foundation Board Chair, President of the Medical Staff, the President/CEO of CMC, the President of Community Physician Group (CPG) **and the Chief Medical Officer**, and may in the discretion of the Board include 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 Immediate Past Chair shall serve for a term of one (1) year beginning the first day of the first month following the expiration of his/her term as Chair. The terms of the Board Chair of the Medical Center Foundation, the President of the medical staff, the President/CEO of CMC and the CPG President shall be co-extensive with their respective terms of office. The term for other Director(s) 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.

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 of 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.

4.6 Special Meetings

Special meetings may be called by or at the request of the Chair or by one-half (1/2) 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.

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 (2) 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.

#### 4.8 Quorum

One-half (1/2) 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.

#### 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.

#### 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.

#### 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 of 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.

#### 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 unexpired 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.

#### 4.13 Self-assessment

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**

## 5.1 Officers

The officers of the Corporation, who must be members of the Corporation, shall be a Chair, one or two Vice Chair(s), a President/CEO, a Secretary/Treasurer and such others as the Board of Directors may elect or appoint. The President/CEO shall be designated by the Board to carry out the duties and responsibilities as outlined in Section 5.7 below. Any two offices may be held by the same person, except the offices of Chair, President/CEO and Secretary/Treasurer, but no person shall hold more than two offices.

## 5.2 Election and Term of Office

All officers of the Corporation shall be elected by the Board except the President/CEO. The Chair shall be selected for up to three (3) one-year terms. The Vice Chair(s) and Secretary/Treasurer shall each be elected for a three (3)-year term and until their successors are elected and qualified. In appointing the President/CEO, the Board shall make a determination that the person so appointed is duly qualified to act as President/CEO, based upon his/her education and experience. All other officers elected by the Board shall hold office for a one (1)-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.

## 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.

## 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 annual meeting of the Board of Directors and until a successor shall have been elected and qualified.

## 5.5 Chair

The Chair, or his or her designee, shall preside at all meetings of the Board and shall be a member of all committees.

## 5.6 Vice Chair(s)

The First Vice Chair~~(s) 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 First Vice Chair 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 First Vice Chair shall succeed immediately to take the office of the Chair. The Second Vice Chair shall be accountable for the development and implementation of an "on-boarding" program for new board members. The Second Vice Chair will assign or serve as the primary mentor for all new Board members. The Second Vice Chair will assume the accountabilities of the First Vice Chair in his or her absence. Individually, or collectively, the Vice Chairs shall act as ex-officio members of all committees of the Board.

## 5.7 President/CEO

The President/CEO shall be responsible for the overall administrative management of the Corporation and shall serve as the Corporation's day-to-day chief executive officer. S/He shall be 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. S/He

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/CEO shall include:

- (a) Carrying out all policies established by the Board by advising on the formation of these policies.
- (b) Developing a plan of organization for the conduct of the Medical Center's operation and recommend changes when necessary.
- (c) Preparing an annual budget showing the expected revenue and expenditures as required by the Board or its Audit and 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 healthcare 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 serving 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 strategic 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) Performing such other duties as the Board shall from time to time direct.

#### 5.8 Secretary/Treasurer

The Secretary/Treasurer shall keep the records 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; and 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.

## **Article VI: Committees**

### **6.1 Standing Committees and Other Committees**

The Chair of the Board of Directors shall appoint as standing committees an Audit and Finance Committee, a Quality and Patient Safety Committee, a Planning Committee, a Governance Committee, a Joint Conference Committee and an Executive Committee. 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/CEO of the Corporation shall be an ex officio member of all committees of the Board.

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

### **6.2 Committee Meetings**

Meetings of a Board committee may be called by the Chair, the Committee Chair 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 (1/2) of the number of the members of the committee, and the committee shall have an agenda and submit a record of its meeting to the Board.

### **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.

### **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 Committee Chair 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.

### **6.5 Membership in Committees**

All committees shall consist of at least two Directors and other members as provided for in the committee charter and as appointed by the Chair of the Board of Directors.

### **6.6 Governance Committee**

The role of the Board Governance Committee is to assure the effective governance of the Medical Center, to recommend policies and processes to the Board, and to monitor the results of these policies and processes to assure the self-management of the Board and effective governance of the Medical Center. The committee shall fulfill its responsibilities as outlined in a Board-approved charter.

### **6.7 Audit and Finance Committee**

The role of the Audit and Finance Committee of the Board is to recommend policies and/or plans to the Board and to monitor results in order to assure the long-term financial viability of the Medical Center. The committee shall fulfill its responsibilities as outlined in a Board-approved charter.

### **6.8 Planning Committee**

The role of the Planning Committee is to recommend a plan for achieving the mission of the Medical Center and to monitor the results of that plan to assure the long-term viability of the Medical Center. The committee shall fulfill its responsibilities as outlined in a Board-approved charter.

#### 6.9 Joint Conference Committee

The Joint Conference Committee shall consist of three (3) medical staff leaders, three (3) Board members, the President/CEO and the Chief Medical Officer. The Committee shall meet quarterly to review, discuss and evaluate all aspects of physician-hospital relations. The actions of this committee shall in all instances be subject to the approval of the Board of Directors.

#### 6.9 Quality and Patient Safety Committee

The role of the Quality and Patient Safety Committee is to recommend policies, plans and processes to the Board, and to monitor the results of these policies, plans and processes to assure the quality of care and safety provided through the Medical Center. The committee shall fulfill its responsibilities as outlined in a Board-approved charter.

#### 6.10 Executive Committee

The role of the Executive Committee is to transact the business of the Board in the interim between meetings of the full Board, when a meeting of the full Board is not feasible. The committee shall have duties as outlined in a Board-approved charter.

6.11 Any actions taken and recommendations made by a committee which has as a member a person who is not also a Director of the Corporation shall be advisory and shall not have any effect until such action or recommendation is formally approved by the Board.

### **Article VII: Medical Staff**

#### 7.1 Appointment of Medical Staff

The Board of Directors shall appoint a medical staff composed of physicians and other healthcare professionals who are graduates of approved professional and/or medical schools, licensed to practice in the State of Montana, and who meet the qualifications, standards and requirements described in the bylaws, rules and policies of the medical staff; shall see that it is organized into a responsible and administrative unit; and shall make such reasonable rules and policies 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.

#### 7.2 Qualifications

An applicant for membership on the medical staff shall be a graduate of an approved and accredited school of medicine, osteopathy, dentistry, or podiatry; licensed to practice as a physician, dentist, or podiatrist in the State of Montana; board certified/eligible by a recognized board at the time of application and must provide proof of medical malpractice insurance coverage consistent with current policy.

#### 7.3 Appointment

Acting upon the advice and recommendation of the medical staff, the Board of Directors will have the ultimate authority in the granting or denying of staff appointment and clinical privileges. Appointment to the medical staff and granting of clinical privileges will be for a period not to exceed two (2) years.

#### 7.4 Temporary Privileges

Authority shall be given to the Medical Center President/CEO, or his/her designee, upon recommendation of the Medical Staff President, or his/her designee, and the Department/Committee Chair, to approve and grant temporary clinical privileges to applicants for membership on the medical or allied health staff for no greater than 90 days.

#### 7.5 Termination of Membership

Membership may be terminated by resignation. The termination of membership of any staff member, other than voluntarily, shall be in accordance with the procedures outlined in the Medical Staff Bylaws.

#### 7.6 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.

#### 7.7 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: (1) 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.

#### 7.6 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; and 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.

#### 7.7 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 previously privileged 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 Medical Staff's Fair Hearing Plan then in effect.

#### 7.10 Medical Staff Administrative Positions

The President/CEO is authorized to enter into a contract for the administration or management of any Medical Center department with any physician who is an active member of the medical staff.

### **Article VIII:**

#### 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/CEO, 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 delegates authority and responsibility for policy and procedure oversight and approval to the Medical Center and medical staff leadership.

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

## **Article IX: Volunteers**

### **9.1 Auxiliary Organizations and Volunteers**

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

### **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/CEO of the Medical Center.

### **9.3 Purpose**

The Board recognizes that the purpose of the auxiliary organization(s) 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.

### **9.4 Actions of Auxiliary Boards**

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

### **9.5 Auxiliary Membership**

The membership of the auxiliary can collect dues and use these funds for the benefit of the membership only. All expenditures from funds earned through activities of the auxiliary 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**

### **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 and/or deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

### **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.

### **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.

### **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.

## 10.5 Gifts

The Board of Directors may accept on behalf of the Corporation any contribution, gift, bequest or device 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 in each year and end on the last day of June the following 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**

These bylaws may be altered, amended, or repealed. 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 a record of the proceedings of its Board

### **Article XVIII: Indemnification**

#### 18.1 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 determined permissible as provided in subsection (B.) of this Section One and 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 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 payment has been 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 the Director was adjudged liable to the Corporation in a proceeding by or in the right of the Corporation, 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.

#### 18.2 Advance Expenses for Directors

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

A. By following the procedures set forth in the Montana Nonprofit Corporation 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.

#### 18.3 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.

#### 18.4 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.

#### 18.5 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.

#### 18.6 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 officers 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, all 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, 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

Notwithstanding 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. The President/CEO of CMC shall serve as the Board's representative to the Advisory Council. Members of the Advisory Council shall be representative of the demographic service area of Community Medical Center. The Advisory Council's duties and responsibilities shall be limited to an advisory capacity in all matters pertaining to Community Medical Center. The Advisory Council shall have no power or authority to act for or on behalf of or bind Community Medical Center. The Advisory Council shall meet quarterly. 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 the Board approves a shorter notice period. Members of the Advisory Council shall be eligible to serve as members on any committee of the Board of Directors.

Approved July 2009