

**HEALTHCARE SERVICES AGREEMENT  
BETWEEN  
ST. LUKE'S MCCALL, LTD.,  
AND  
MCCALL MEMORIAL HOSPITAL DISTRICT**

THIS HEALTHCARE SERVICES AGREEMENT ("Healthcare Services Agreement") is entered into this 5th day of February, 2016 (the "Execution Date") by and between St. Luke's McCall Ltd. ("SLM"), an Idaho nonprofit corporation, and the McCall Memorial Hospital District (the "District"), each a "Party" and collectively the "Parties".

**RECITALS**

A. The District is a hospital taxing district that was organized under Idaho law and provides services to residents and visitors in Valley County, Adams County and Idaho County, all located in the State of Idaho ("Service Area").

B. The District owns a critical access hospital in McCall, Idaho which is operated by and known as "St. Luke's McCall" (the "Hospital"). The District also owns (i) other buildings and improvements which are part of the hospital campus (the "Buildings"); (ii) the land on which the hospital campus is located (the "Land"); and, (iii) equipment, systems, fixtures and other tangible personal property which are utilized in the operation of the Hospital (the "Tangible Personal Property"). The aforesaid Hospital, Buildings, Land, and Tangible Personal Property are jointly referred to in this Healthcare Services Agreement as the "Hospital Property".

C. SLM is an Idaho non-profit corporation which is a subsidiary of SLHS and which has been created by SLHS to lease the Hospital Property and operate the Hospital.

D. St. Luke's Health System, Ltd. ("SLHS") is an Idaho nonprofit corporation that is the parent organization of several tax-exempt subsidiaries that own and operate hospitals and other healthcare facilities in southern and south-central Idaho, including, without limitation, SLM.

E. The District and SLM have previously entered into and executed that certain *Healthcare Services Agreement*, dated October 1, 2010, that certain *Amended and Restated Healthcare Services Agreement*, dated February 7, 2013, and that certain *Second Amended and Restated Healthcare Services Agreement*, dated March 6, 2014 (collectively, the "Prior Agreements"). The parties desire to terminate the Prior Agreements.

F. The District has entered into a *Lease-Option Agreement* of even date herewith with SLM and SLHS, whereby the District has leased the Hospital Property to SLM and granted SLM and SLHS an option to purchase the Hospital, Buildings, and Tangible Personal Property.

G. As part of the consideration for the said Lease-Option Agreement, the District and SLM have agreed that the District will contract with SLM pursuant to the authority vested in the

District under Idaho Code §39-1331, to have SLM provide healthcare services to the residents of and visitors to the Service Area.

H. The District has determined that entering into this Healthcare Services Agreement will enhance and promote the health and wellness of residents and visitors in the Service Area by means of the following: (i) alignment with primary care physicians, members of St. Luke's Physician Services; (ii) access to specialized providers; (iii) sharing of evidence-based practice findings and translation into practice strategies; (iv) access to resources for participating in national quality initiatives; (v) participation in a system with standardized system-wide quality initiatives; (vi) access to and participation in standardized protocols for managing medical conditions; (vii) access to system-wide "Best Practices" data; (viii) access to information technology/electronic medical records assistance and solutions; (ix) assistance with recruitment and retention of quality physicians, staff and volunteers; (x) increased ease in sharing staff to gain or maintain clinical expertise in selected areas (care of post-surgical patients, orthopedic patients, surgical services and obstetrics); (xi) access to expertise in specialty clinical roles such as CNS, Nurse Informatics; (xii) access to medical libraries; (xiii) participation in research opportunities to advance practice; and, (xiv) system-wide resources/expertise/education/professional development.

I. The District has determined that the affiliation with SLHS will significantly enhance its ability to continue to keep pace with the financial demands associated with the District's desired level of health care, without placing untenable burdens on its tax base.

J. The parties desire to memorialize the terms of their agreement.

**NOW, THEREFORE**, for and in consideration of the foregoing promises and the agreements, covenants, representations and warranties set forth herein, as well as in the *Lease-Option Agreement*, the Parties hereto agree as follows:

## ARTICLE 1

### PROVISION OF HEALTHCARE SERVICES

**1.1 Healthcare Services.** SLM agrees to use the Hospital Property, together with any enhancements, replacements, and/or additions thereof or thereto exclusively to provide services and programs for the accommodation, care and treatment of individuals suffering from illness, injury, disease, disability or infirmity, including but not limited to hospitals, ambulatory medical treatment facilities, clinics, home health programs, hospice programs and laboratories, and further including but not necessarily limited to the following (collectively "**Healthcare Services**"):

- (a) 24/7 Emergency Room services;
  - (b) Charity care and services to indigents;
  - (c) Services required to maintain the hospital's status as a Critical Access Hospital;
- and,
- (d) Additional services which shall, from time to time, be identified by the parties.

(e) In the event the District determines that a new service materially and significantly deviates from the services offered as of the Execution Date of this Healthcare Services Agreement, District consent ("Consent") shall be required for the new service to be provided.

(f) SLM's inability to provide specific Healthcare Services due to budgetary or clinical constraints resulting from the District's denial of a Funding Request (as defined in Section 2.1 below) or refusal to provide Consent (as defined in Section 1.1(e)) shall not constitute a breach of this Healthcare Services Agreement by SLM.

**1.2 Operating Standards.** SLM will exercise its best efforts to comply with all applicable federal, state and local laws, rules and regulations and with such standards and requirements as may be necessary to continue the Hospital's status as a Critical Access Hospital, as defined by 42 CFR Part 485, Subpart F, licensure of the Hospital by the state of Idaho, and participation in Medicare and Medicaid programs. SLM shall promptly provide the District with written notice of any action, impending action, threatened action, notice, or circumstance which might threaten or impair the Hospital's current legal and regulatory status, including its status as a Critical Access Hospital and its status with Medicare and Medicaid.

**1.3 Other Obligations.** SLM shall perform and comply with the additional obligations and covenants which are provided in the *Lease-Option Agreement*, including but not limited to those described in Sections A.4(b) and (c), A.8, A.11 and A.20 of the *Lease-Option Agreement*.

## **ARTICLE 2 FUNDING OF ACCESS TO HEALTHCARE SERVICES**

**2.1 SLM Requests for Funds from District.** SLM may, at its option and not more often than once annually, request that the District fund access to certain Healthcare Services to be provided by SLM pursuant to the terms of this Healthcare Services Agreement, as follows ("Request for Funding"):

- (a) A Request for Funding shall be delivered to the District by no later than June 1 annually, or such other date as mutually agreed to by the Parties, for funding to be provided in the subsequent fiscal year.
- (b) The request shall be accompanied by and shall contain the following information:
  - (i) The SLM itemized budget upon which the Request for Funding is based;
  - (ii) The amount of funding requested;
  - (iii) The specific healthcare expenses to which the funding will be applied;
  - (iv) The anticipated impacts on the Healthcare Services being provided by SLM under this Healthcare Services Agreement if the funding is not provided;
  - (v) An Income and Expense Statement for SLM for the three fiscal years immediately preceding the year in which the Request is made; and,
  - (vi) Such additional information as is reasonably requested by the District.
- (c) In no event shall the District grant a Request for Funding in an amount which exceeds the maximum amount of tax revenue which can be statutorily levied by the District without resorting to a vote of the District electors under and pursuant to Idaho Code Section 39-1333, and Idaho Code Section 39-1334, as the same may be amended or recodified from time to time.

**2.2 District Action on Request for Funding.** Upon receipt of a Request for Funding, the District shall proceed as follows:

- (a) The District shall determine, in its sole discretion, whether the Request for Funding is necessary to provide healthcare services to the public at the level and according to the standard of healthcare which the District deems appropriate;
- (b) The District shall evaluate the appropriateness of the Request for Funding under the applicable Idaho statutes and constitutional provisions, including but not limited to I.C.39-1333 and I.C. 39-1334;
- (c) The District shall provide such public notice and conduct such public hearing(s) on the Request for Funding and the District's intended response thereto as are required by law or as are otherwise deemed appropriate by the District;
- (d) The District shall decide in its sole discretion whether to provide funding to SLM in the amount of the Request for Funding, or in some lesser amount, or whether to decline the Request for Funding;
- (e) In no event shall the District commit to provide funding in excess of the revenue which will be available to the District in the year during which funding will be provided;
- (f) The decision to provide or not provide funding pursuant to a Request for Funding shall rest within the sound and sole discretion of the District;
- (g) While the District acknowledges that the District's decision to decline to provide funding in response to a Request for Funding may result in the aforesaid impacts on the level of healthcare services which SLM will be able to provide, such decision shall not result in any indebtedness or liability to the District;
- (h) The District's decision to provide funding which is requested by SLM shall not obligate the District to provide such funding in response to any subsequent Requests for Funding. A decision by the District to decline to provide funding in response to a Request for Funding shall not in any way prevent or preclude the District from providing funding in response to any subsequent Requests for Funding, or independent of such a Request. Rather, each decision by the District to provide or to decline to provide funding shall be based on the District's evaluation of the merits of the related Request for Funding and shall apply only to such Request.

**2.3 Allocation of Tax Revenues.** The District will retain responsibility for approving the use of all tax revenue it contributes to SLM. SLM is prohibited from using tax revenues paid by the District in a manner which violates Idaho law.

### **ARTICLE 3**

#### **GOVERNANCE**

**3.1 Governance.** In recognition of the District's ownership of the Hospital Property and statutory duty to provide healthcare services to the public, SLM may, but shall not be required, to provide for participation by District Trustees on the SLM Community Board. Such Trustees, in their capacity as SLM Community Board members, will be required to act in the best interest of SLM and shall be subject to the same obligations of other SLM Community Board Directors,

save and except their duty to recuse themselves from any decisions which would create a conflict of interest with such Trustees' duties and responsibilities as District Trustees. The Restated SLM Bylaws are attached hereto and incorporated herein as Exhibit 3.1. The SLM Restated Bylaws may not be amended without the District's prior written consent, to the extent that such amendment(s) would adversely affect the rights and responsibilities of the District.

**3.2 General Oversight.** The District Board shall assist SLM in maintaining and managing the affairs of the Hospital by periodically, but not less than annually, meeting with the Administrator of SLM to provide input and guidance to SLM regarding the betterment and protection of the public health and care of the sick and afflicted within the District. At such meetings, the Administrator of SLM will consult with and make reports to the District Board regarding matters pertaining to the operation of the Hospital. The District Board will make recommendations to the Administrator of SLM regarding Hospital operations as they pertain to the fulfillment of the District's statutory duties. Notwithstanding anything in this Agreement to the contrary, the District Board shall retain all powers and responsibilities required to be reserved to a hospital board by applicable Idaho law.

**3.3 Duties of the District.** In addition to the foregoing, the District Board shall:

- (a) Ensure that any funding provided by the District in accordance with Article 2 of this Agreement is expended only for the purposes set forth in the applicable Request for Funding; and,
- (b) Conduct periodic, but not less than annual, evaluations of whether the community health needs identified through the most recent Community Health Needs Assessment are being met by SLM and take such steps as the District Board deems reasonably necessary to address any deficiencies which are identified in the evaluations.

#### **ARTICLE 4**

#### **REPORTING**

SLM shall submit the following information to the District:

**4.1 Strategic Plan.** On an annual basis, SLM will summarize its progress toward fulfilling the Capital Improvement Plan (described in the Lease-Option Agreement) and certain strategic initiatives that are not proprietary in nature.

**4.2 Budget.** On an annual basis, on or before July 1, SLM shall provide the annual budget for Healthcare Services to be provided under this Healthcare Services Agreement.

**4.3 Other Reports.** SLM agrees to provide such other reports as the District may reasonably request in order to comply with applicable laws and regulations.

**4.4 Community Health Needs Assessment.** SLM shall collaborate with and involve the District in the completion of the Community Health Needs Assessments, which are completed by SLM periodically.

## ARTICLE 5

### TERM AND TERMINATION

**5.1 Term.** The term of this Agreement shall commence on the Execution Date and shall continue until terminated by agreement of the Parties, unless sooner terminated by any of the following:

(a) Upon the breach of this Agreement by either Party, which is not cured within thirty (30) days after delivery of a written notice specifying the nature of the breach and the actions being demanded by to cure the breach. Provided, however, that:

(i) if the nature of the default is such that the same cannot reasonably be cured within said thirty (30) day period, a Party shall not be deemed to be in default if the Party shall within such period commence such cure and thereafter diligently prosecute the same to completion; and,

(ii) if the nature of the default is such that the elapse of thirty (30) days would expose a Party to a risk of loss of or significant impairment of the value of the Hospital Property, then the Party shall provide such notice as is commercially reasonable under the circumstances; or,

(b) Upon termination of the *Lease-Option Agreement*, unless such termination is effected by SLM's exercise of the Option to Acquire pursuant to Section B of the *Lease-Option Agreement*.

## ARTICLE 6

### DISPUTE RESOLUTION

**6.1 Dispute Resolution.** The dispute resolution procedures set forth in Section A.25 of the *Lease-Option Agreement* shall apply to disputes under this Agreement.

## ARTICLE 7

### GENERAL PROVISIONS

**7.1 Amendment.** Except as otherwise provided in this Healthcare Services Agreement, no amendment of any provision of this Healthcare Services Agreement shall be effective unless the same shall be in writing and signed by all of the Parties, and then such amendment shall be effective only in the specific instance and for the specific purpose for which given.

**7.2 Notices.** All notices, requests, demands and other communications hereunder shall be in writing and shall be delivered personally or sent by overnight courier or registered or certified mail, postage prepaid, as follows:

If to the District:

**McCall Memorial Hospital District**  
Attn: District Chairperson  
1000 State Street  
McCall, Idaho 83638

If to SLM:

**St. Luke's McCall, Ltd.**  
Attn: Administrator  
1000 State Street  
McCall, Idaho 83638

A Party may change its address for receiving notice by written notice given to the others named above. All notices shall be effective when received, if by personal delivery or overnight courier, or two (2) business days after being deposited in the mail addressed as set forth above, if mailed.

**7.3 Expenses.** Except as otherwise expressly provided in this Healthcare Services Agreement, each Party shall pay its own costs and expenses in connection with the transactions contemplated or required hereby.

**7.4 Entire Transaction.** This Healthcare Services Agreement contains the entire understanding of the Parties with respect to the transactions contemplated hereby and supersedes all of the agreements and understandings of the Parties on the subject matter hereof, except that, to the extent that any agreement (including the *Lease-Option Agreement*) is referred to herein in such manner as to clearly indicate that such agreement is designed to detail the agreement of the Parties with respect to the specified subject matter, the terms of such agreement will govern with respect to such subject matter.

**7.5 Application of Law.** This Healthcare Services Agreement shall be governed by and construed in accordance with the internal laws of the State of Idaho and the Parties hereby consent to the jurisdiction of Idaho courts over all matters relating to this Healthcare Services Agreement.

**7.6 Headings.** Headings of Articles in this Healthcare Services Agreement and the table of contents hereof are solely for convenience or reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

**7.7 Further Assurances.** Up to and after the Execution Date, each Party shall take such further actions and execute and deliver such additional documents and instruments as may be reasonably requested by another Party in order to perfect and complete the transactions contemplated herein.

**7.8 Waiver of Terms.** Any of the terms or conditions of this Healthcare Services Agreement may be waived at any time by the Party which is entitled to the benefit thereof but only by a written notice signed by the Party waiving such terms or conditions. The waiver of any term or condition shall not be construed as a waiver of any other term or condition of this Healthcare Services Agreement.

**7.9 Partial Invalidity.** In case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein, provided however that if either Party determines that this would frustrate the purpose of the Agreement, the Parties may amend or terminate the Agreement upon mutual written agreement. In the event that the parties are unable to reach

consensus, then the dispute shall be resolved by means of the Dispute Resolution procedures provided in Section A.25 of the *Lease-Option Agreement*.

**7.10 Successors and Assigns.** This Agreement shall be binding on the Parties hereto and their respective successors and permitted or required assigns. SLM shall not assign its duties and responsibilities under this Agreement without the express prior written consent of the District, except as provided in Section A.13 of the *Lease-Option Agreement*.

**7.11 Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**7.12 Access to Records and Information.** To the extent applicable to this Agreement and to any agreement contemplated hereunder or entered into pursuant hereto between or among the Parties, the Parties agree to comply with the requirement of Public Law 96-4999, Section 952 (Section 1861(v)(1)(I) of the Social Security Act) and regulations promulgated thereunder.

**7.13 Time is of the Essence.** Time is of the essence for the performance of all activities contemplated by the Parties hereunder.

**7.13 Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the Parties, and their successors and any permitted assigns pursuant to Section 7.10.

**7.14 No Third Party Beneficiaries.** There shall be no third party beneficiaries to this Agreement.

**7.15 Independent Contractor.** In entering into and complying with this Agreement, SLM is at all times performing as an independent contractor. Nothing in this Agreement shall constitute or be construed as a creation of a partnership or joint venture between the District and SLM.

**7.16 Effective Date.** This Amended and Restated Healthcare Services Agreement shall take effect on the Execution Date and shall thereafter replace and supplant the Healthcare Services Agreement executed by the Parties on or about October 1, 2010.

**7.17 Termination of Prior Agreements.** The Prior Agreements are hereby revoked and terminated, effective as of the Execution Date.

**7.18 Indemnification.**

(a) SLM hereby releases the District from and agrees to indemnify the District, its Board of Trustees, and its agents, and employees (collectively, "the District Parties") against, and defend and hold the District Parties harmless from, any and all demands, claims, causes of action, fines, penalties, damages (including consequential damages), losses, liabilities, judgments, and expenses (including without limitation attorneys' fees and court costs) suffered or incurred by the District by reason of or arising out of: (a) the use, occupancy or condition of the Hospital Property; (b) any activity, work, or thing done or permitted by SLM on the Hospital Property; (c) any acts, omissions, or negligence of SLM or any person claiming under SLM or the employees, agents, contractors, invitees, or visitors of SLM or any such person; (d) any breach, violation, or nonperformance by SLM or any person claiming under SLM or the employees, agents, contractors, invitees, or visitors of SLM or any such person of any term, covenant, or provision of this Agreement or any law, ordinance, or governmental requirement of any kind; (e) any injury or damage to the person, property, or business of SLM, its employees, agents, contractors, invitees, visitors,



or any other person entering upon the Hospital Property under the express or implied invitation of SLM, or (f) any negligence or tortious act of SLM, its licensees, invitees, customers, agents or employees. If any action or proceeding is brought against any of the District's Parties by reason of any such claim, SLM, upon notice from the District, will defend the claim at SLM's expense with counsel reasonably satisfactory to the District. This indemnification will survive the expiration or termination of this Agreement.

(b) To the extent permitted by law, the District agrees to indemnify, defend and hold harmless SLHS and SLM from any and all demands, claims, causes of action, fines, penalties, damages, losses, liabilities, judgments, and expenses (including without limitation attorneys' fees and court costs) suffered or incurred by SLHS or SLM by reason of or arising out of any breach, violation, or nonperformance by the District of any term, covenant, or provision of this Lease. This indemnity shall expressly not, however, expand Hospital District's liability beyond the statutory limits on liability provided in Title 6, Chapter 9 of the Idaho Code, including without limitation the limits on liability provided in Idaho Code Section 6-926.

**7.19 Costs and Attorney Fees.** In the event that a dispute arises regarding the breach, application, interpretation, or enforcement of this Agreement, then the prevailing party in such dispute shall be entitled to collect its attorney fees and costs incurred, including attorney fees and costs incurred on appeal.

IN WITNESS WHEREOF, the Parties, acting through their duly authorized representatives, have executed this Agreement as of the Execution Date.

McCall Memorial Hospital District

Dated: 6 February, 2016

R. Derek Williamson  
By: R. DEREK WILLIAMSON  
Its: Chair, Board of Trustees

Attest:

Dated: 2/5, 2016

Alexa Herrel  
By: Alexa Herrel  
Its: Secretary

St. Luke's McCall, Ltd.

Dated: 2/5, 2016

Kathy D. Moore  
By: Kathy D. Moore  
Its: CEO

**APPROVED:**

St. Luke's Health System, Ltd.

By:  David C. Pate, MD, JD

Its: President and CEO

Dated: February 5, 2016

**RESTATED BYLAWS FOR  
ST. LUKE'S MCCALL, LTD.**

**Effective April 15, 2014**

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**ARTICLE I**  
**NAME**

The name of the nonprofit corporation is St. Luke's McCall, Ltd. ("Corporation"). All references to "Regional Board" shall mean the St. Luke's Regional Medical Center, Ltd. Board of Directors and all references to "Community Board" shall mean the Community Board of Directors, as defined in Article IV herein. "Directors" shall mean the members of the Regional and Community Boards and "Boards" shall mean the Regional and Community Boards. "Regional Directors" are members of the Regional Board and "Community Directors" are members of the Community Board.

**ARTICLE II**  
**PURPOSES**

**1.2 PURPOSES.** The purposes for which the Corporation was formed include, but shall not be limited to:

- a. Assessing the health needs of the communities included in Valley county and adjacent areas, a region of Idaho referred to as McCall;
- b. Operating the critical access hospital known as St. Luke's McCall and operating related inpatient and outpatient facilities, and providing services and programs for the accommodation, care and treatment of individuals suffering from illness, injury, disease, disability or infirmity, including but not limited to hospitals, ambulatory medical treatment facilities, clinics, rehabilitation centers, addiction treatment centers, home health programs, mental health centers, hospice programs, pharmacies, laboratories, and training and research facilities located in Valley county and adjacent areas, a region of Idaho known as McCall;
- c. Coordinating activities of the Corporation and its facilities and programs that serve McCall communities in pursuit of their charitable, educational, benevolent, and other purposes related to health care, health education and training, health facilities, scientific research and health management;
- d. Operating exclusively for the benefit of and to carry out some or all of the purposes of organizations described in Section 509(a)(1) or (a)(2) of the Internal Revenue Code of 1986, as amended, or any subsequent Internal Revenue law (the "Code"); and

e. Conducting any other activities permitted by the Idaho Nonprofit Corporation Act which will enhance the health and social welfare of the communities served by the Corporation.

## **ARTICLE II**

### **MEMBER**

**2.1 MEMBER.** The sole member of the Corporation shall be St. Luke's Health System, Ltd., an Idaho nonprofit corporation (the "Member").

**2.2 RESERVED POWERS OF THE MEMBER.** The Member shall be considered the sole voting member for all purposes of the Idaho Nonprofit Corporation Act. The Member shall maintain two types of reserved power authority over the Corporation: Approval Authority and Implementation Authority.

**2.3 APPROVAL AUTHORITY.** Approval Authority means those actions which require approval by the Corporation and the Member for the action to be valid. Actions requiring Approval Authority may be initiated by either the Corporation or the Member, but must be approved by both the Corporation and the Member. Approval by the Corporation shall occur through the Regional Board or the Community Board, as specified in Section 2.5 below. Approval by the Member shall occur through the Member's Board of Directors unless otherwise specified.

**2.4 IMPLEMENTATION AUTHORITY.** Implementation Authority means those actions which the Member may take without the approval or recommendation of the Corporation. Implementation Authority will not be utilized until there has been appropriate communication between the Member and the Regional Board, the Community Board(s) and the Chief Executive Officer of the Corporation ("Regional CEO"). Approval by the Member shall occur through the Member's Board of Directors unless otherwise specified.

**2.5 ACTIONS REQUIRING APPROVAL AUTHORITY.** The following actions constitute actions requiring Approval Authority, and will not be considered valid until approved by both the Corporation and the Member:

a. Amendment of the Articles of Incorporation of the Corporation. Corporation approval occurs through the Regional Board and with input from the Community Board;

b. Amendment of the Bylaws of the Corporation. Corporation approval occurs through the Regional Board with input from the Community Board;

c. Appointment of members to the Regional Board, other than ex officio Directors (as defined in Section 3.3 below). Corporation approval occurs through the Regional Board;

d. Removal of an individual from the Regional Board if and when removal is requested by the Regional Board, which request may only be made if the Director is failing to meet the reasonable expectations for service on the Regional Board that are established by the Member and are uniform for the Corporation and for all of the other facilities for which the Member then serves as the sole corporate member (the "Approved Board Member Expectations"). Corporation approval occurs through the Regional Board;

e. Approval of operating and capital budgets of the Corporation (each, an "Approved Budget"), and deviations to an Approved Budget over amounts established from time to time by the Member. Corporation approval occurs through the Regional Board; and

f. Approval of the strategic/tactical plans and goals and objectives (the "Approved Plans") of the Corporation. Corporation approval occurs through the Regional Board.

**2.6 ACTIONS REQUIRING IMPLEMENTATION AUTHORITY.** The following actions constitute actions requiring Implementation Authority. The right to take the following actions is reserved exclusively to the Member after appropriate communication with the Corporation's Regional Board, Community Board, and the Regional CEO:

a. Changes to the statements of mission, philosophy and values of the Corporation;

b. Removal of an individual from the Regional Board or Community Board if and when the Member determines in good faith that the Director is failing to meet the Approved Board Member Expectations. This authority to remove Directors shall not be used merely because there is a difference in business judgment between the Director and the Corporation or the Member, and shall never be used to remove one or more Directors from the Regional Board or Community Board in order to change a decision made by the Corporation's Board of Directors;

c. Employment and termination of the Regional CEO, as directed by the President and Chief Executive Officer of the Member, subject to Sections 3.2(c) and 6.5 below;

d. Appointment of the auditor for the Corporation and coordination of the Corporation's annual audit;

e. Sale, lease, exchange, mortgage, pledge, creation of a security interest in or other disposition of real or personal property of the Corporation if such property has a fair market value in excess of a limit set from time to time by the Member and that is not otherwise contained in an Approved Budget;

f. Sale, merger, consolidation, change of membership, sale of all or substantially all of the assets of the Corporation, or closure or any facility operated by the Corporation;

g. The dissolution of the Corporation, subject to Article XVII of these Bylaws;

h. Incurrence of debt by or for the Corporation in accordance with requirements established from time to time by the Member and that is not otherwise contained in an Approved Budget; and

i. Authority to establish policies to promote and develop an integrated, cohesive health care delivery system across all corporations for which the Member serves as the corporate member.

**2.7 ACTION BY CORPORATION.** If the Corporation intends to discuss matters requiring Approval Authority at a meeting of the Regional Board or Community Board, the Regional CEO shall notify the President and Chief Executive Officer of the Member far enough in advance to allow the Member to develop an understanding of the matter. The Member's President and Chief Executive Officer may define a process for discussing important matters, such as through regular monthly meetings between and among the senior executives of the Member's corporations.

### **ARTICLE III** **REGIONAL BOARD OF THE CORPORATION**

**3.1 POWERS OF THE REGIONAL BOARD.** The Regional Board shall be the fiduciary board of the Corporation. The Regional Board shall generally exercise oversight of the business affairs of the Corporation and shall have and exercise all of the powers which may be exercised or performed by the Corporation under the laws of the State of Idaho, the Corporation's Articles of Incorporation and these Bylaws, subject to the Approval and Implementation Authorities of the Member, and the duties and responsibilities of the Community Board.

**3.2 DUTIES.** The Regional Board shall perform the following:

- a. Fulfill all duties in an impartial, fair, lawful and objective way;
- b. Formulate and adopt such lawful policies, rules and regulations for the conduct and operation of the Corporation's assets, facilities and personnel, as the Regional Board deems necessary or convenient for the efficient, economical and successful operation thereof;
- c. Participate in discussions related to employing or terminating the Regional CEO and participate in the Regional CEO's annual performance review, pursuant to policies established from time to time by the Member, or as requested by the Member's President and Chief Executive Officer;
- d. Establish a Medical Staff and determine the scope of health care services provided by the Corporation in consultation with the Community Board, the Member, the Regional CEO and the Medical Staff, subject to Approved Budgets and the Approved Plans;

e. Prepare and submit an operating and capital budget for the operation of the Corporation to the Member each year. The Member shall thereafter approve, amend or modify such budget as is deemed appropriate. Any amendment or modification of such budget by the Member shall be subject to approval by the Corporation. The Regional Board shall not have the power to create indebtedness in excess of the amount contained in an Approved Budget;

f. Evaluate its own performance and orient and provide continuing education to the Directors of the Corporation. The Regional Board shall carry out these activities in concert with the Corporation's and Member's administrative staff and the Member's Governance Committee; and

g. Take actions necessary to carry out the purposes of the Corporation pursuant to Article I, Section 1.2 above, subject to those powers specifically retained by the Member in these Bylaws, through the Regional and Community Boards, officers or employees and agents.

**3.3 COMPOSITION OF THE REGIONAL BOARD.** The Regional Board shall consist of at least eleven (11) and not more than seventeen (17) directors, a majority of who shall reside in the Treasure Valley ("Regional Directors"). The maximum size of the Regional Board may be increased by a resolution approved by the Regional Board and the Member, as necessary to ensure that at least half of the Director positions are occupied by individuals who are not ex officio members.

The Regional Board shall include the following ex officio members with vote: i) the Chief of Staff of the regional hospital facility owned by St. Luke's Regional Medical Center, Ltd.; ii) the Regional CEO; iii) the Chairs of the Community Boards; and iv) the Bishop of the Episcopal Church in Idaho, unless he/she declines to serve. The Regional Board shall also include at least three (3), but not more than four (4) physicians, including the Chief of Staff, who are active members of a Medical Staff of a hospital in the West Region. If a Chair of the Community Board is a physician who is an active member of a Medical Staff of a hospital in the West Region, such physician *shall not* count toward the physician Board member limitation described in the preceding sentence. An individual may simultaneously serve as a Director for a Regional and a Community Board, but a person who is a Regional or Community Director *shall not* simultaneously serve as a director of the Member's Board. At least one-half of the Regional Directors shall be "independent", which shall be determined using applicable state and federal laws, regulations and guidance, including without limitation, the Internal Revenue Code.

**3.4 APPOINTMENT OF DIRECTORS OF THE REGIONAL BOARD.** Directors of the Regional Board may be appointed throughout the year at a meeting of the Regional Board, with the approval of the Member. The Board Development Committee shall propose individuals for appointment as Regional Board Directors for consideration and approval by the Regional and Member Boards in accordance with the Member Bylaws.

**3.5 SELECTION CRITERIA AND OBLIGATIONS OF REGIONAL DIRECTORS.**

Criteria for selection as a member of the Regional Board shall include, without limitation: (a) a strong commitment to the Corporation and its mission; (b) a willingness and capacity to serve; (c) a preference toward those who have prior experience in healthcare governance; (d) experience in group decision making; and (e) a reputation for personal and professional accomplishments, including leadership skills. Additional criteria regarding the selection and ongoing obligations and duties and responsibilities of individuals serving as Regional Directors may be established from time to time by the Member, provided that such additional criteria, obligations and duties and responsibilities shall apply uniformly to all regional directors (ex-officio and appointed) of the corporations of which the Member serves as the sole corporate member.

**3.6 COMMITTEES OF THE REGIONAL BOARD.** Committees are designed to facilitate the actions of the Regional and Community Boards. Committees only recommend actions and do not have the authority of the Boards except where expressly authorized by these Bylaws, or by committee charters approved by the Regional Board, or through a resolution of the Regional Board.

**3.6.1 DESIGNATION OF COMMITTEES.** Committees of the Regional Board shall be standing or special. Standing committees shall be the finance committee, planning/community benefit committee, quality committee, Board Development Committee and such other standing committees as the Regional Board may authorize.

Each committee shall have and exercise such responsibilities and authority as provided for in its charter, a resolution, or a Member or Regional Board policy consistent with these Bylaws. Each committee shall keep regular minutes of its meetings.

The quality committee shall, among other things, be responsible for reviewing and approving credentialing and privileging recommendations from each Medical Staff within the West Region. The Chiefs of Staff of each separately organized Medical Staff in the West Region shall serve as voting members of the quality committee. If a Chief of Staff is unable to attend a meeting of the quality committee, the respective Chief of Staff Elect may attend on behalf of the Chief of Staff.

Special committees or work groups may be appointed by the Chair of the Regional Board with the concurrence of the Regional Board for such special tasks, as circumstances warrant. Such special committees shall limit their activities to the accomplishment of the task for which it is appointed. Upon completion of the task for which appointed, such special committee shall stand discharged.

**3.6.2 COMMITTEE AND SUBCOMMITTEE MEMBERSHIP.** The Chair of the Regional Board shall appoint the members of the committees of the Regional Board. Such membership shall, at a minimum, include two (2) Regional Directors and one (1) Community Director, unless membership is otherwise specified in these Bylaws, the committee charter, a



Board resolution, or a Regional Board policy. The Regional Chair shall designate one Regional Director member to be the chair of each committee.

If a committee of the Regional Board desires to form a subcommittee, the chair of the Regional Board committee shall appoint the members of each subcommittee (unless membership is specified by Regional Board resolution) and, unless otherwise provided, shall designate one subcommittee member, who shall be a Regional Director, to be the subcommittee chairperson.

The members of all committees and subcommittees are required to comply with the standards of conduct expected of Directors in their capacity as committee and subcommittee members.

**3.6.3 BOARD DEVELOPMENT COMMITTEE.** The Corporation shall have a Board Development Committee the members of which shall include the immediate past Regional Chair, the current Regional Chair, the Regional Chair-Elect, the Regional CEO, the Chairs of the Community Boards and the current Chairs of the Regional Board committees. The Regional Chair is also strongly encouraged to appoint a Regional Director, who is a physician, to serve as a member of the Board Development Committee. The duties and responsibilities of the Board Development Committee shall be described in a policy that is approved by the Member. At a minimum, the Board Development Committee shall be responsible for carrying out the duties and responsibilities set forth herein, including, without limitation, proposing candidates to serve as Regional and Community Board Directors and identifying Directors to serve as officers of the Regional Board and the Community Boards.

#### **ARTICLE IV** **COMMUNITY BOARD OF THE CORPORATION**

**4.1 PURPOSE.** The Community Board provides insight into local community health needs and functions as the primary link between the mission of the Member and the McCall community.

**4.2 DUTIES AND RESPONSIBILITIES.** The duties and responsibilities of the Community Board shall be described in writing in the form of a matrix, charter, policy or a combination thereof, and allocated from time to time as mutually approved by the Community Board, the Regional Board and the Member. At a minimum, the Community Board's responsibilities shall include:

**4.2.1 Leadership** in the development, planning and execution of assessments and plans, such as the community health needs assessment, to meet the health needs of the McCall community;

**4.2.2 Involvement** in activities to advance the mission and strategic plan of the Corporation and the Member.

**4.2.3** Participation in the development of a philanthropic plan for the McCall community;

**4.2.4** Coordination with volunteer organizations that support the activities and mission of the Corporation and the Member.

**4.2.5** Engagement in the McCall community as well-informed champions of the Corporation's and Member's mission, vision, values and strategic plans.

**4.2.6** Collaboration with the Regional Board and the Member to pursue projects and activities that pertain to the McCall community.

**4.2.7** Participation in the selection and evaluation of the Regional CEO, subject to Section 2.6(c).

**4.2.8** Leadership in the Corporation's scope of service determinations and the availability and quality of services.

**4.3 COMPOSITION OF THE COMMUNITY BOARD OF DIRECTORS.** The Community Board shall consist of at least eleven (11) and not more than nineteen (19) Directors ("Community Directors") who are residents of or maintain a residence in the St. Luke's McCall service area. The following individuals shall serve as ex officio Community Directors, with vote: i) the Chief of the Medical Staff; ii) the President of St. Luke's McCall Foundation or designee; iii) the President of St. Luke's McCall Auxiliary, Inc. or designee; iv) the Corporation's Site Administrator, and for so long as the McCall Memorial Hospital District remains in compliance with the terms of that certain Healthcare Services Agreement between McCall Memorial Hospital District and the Corporation, two trustees from the Board of Trustees of McCall Memorial Hospital District who shall be designated by the Chair of the Board of Trustees of the District. Additional physician leaders in the community served by the Community Board shall also be included as members of the Community Board. A minimum of one-half (1/2) of the Community Directors shall be "independent", which shall be determined using applicable state and federal laws, regulations and guidance, including without limitation, the Internal Revenue Code.

Individuals may serve as Community Directors and members on the boards of directors for philanthropic organizations that support the Corporation. The entire Community Board may also serve as the board of directors for a philanthropic organization that is entirely owned by the Corporation or the Member, if desired by the local community and approved in advance by the Community Board, the volunteer organization(s), the Regional Board and the Member.

**4.4 APPOINTMENT OF DIRECTORS OF THE COMMUNITY BOARDS.** The Board Development Committee proposes individuals for appointment to the Community Board after

soliciting input from the Community Board. Community Board appointments are subject to the prior approval of the Community Board and the Regional Board.

#### **4.5 SELECTION CRITERIA AND OBLIGATIONS OF COMMUNITY DIRECTORS.**

Criteria for selection as a member of the Community Board shall include, without limitation: (a) a strong commitment to the mission of the Member and the Corporation; (b) an eagerness and capacity to serve; (c) demonstrated leadership in the McCall community; (d) experience in relationship building and group decision making; and (e) a reputation for personal and professional accomplishments. Additional criteria regarding the selection and ongoing obligations and duties and responsibilities of individuals serving as Community Directors may be established from time to time by the Member, provided that such additional criteria, obligations and duties and responsibilities shall apply uniformly to community directors (ex-officio and appointed) for all of the corporations of which the Member serves as the sole corporate member.

#### **4.6 OFFICERS OF THE COMMUNITY BOARD.**

**4.6.1 CHAIR.** Upon vacancy of the Community Board Chair ("Chair") position, the Chair-Elect automatically advances into the Chair position unless a majority of the Directors oppose such advancement. In the event the Chair position is not filled by the most recent Chair-Elect, the Board Development Committee shall, after soliciting input from the Community Board, recommend a Community Director to serve as Chair. The term of office of the Chair shall be for two (2) years, or until his/her successor is duly elected. The Chair shall serve as a member of the Regional Board and preside at all meetings of the Community Board. The Chair shall lead the Community Board in the performance of its duties and responsibilities.

**4.6.2 CHAIR-ELECT.** A Chair-Elect of the Community Board ("Chair-Elect") shall be elected at least one (1) year prior to the Chair's final year from the candidate(s) recommended by the Board Development Committee. The Board Development Committee, after soliciting input from the Community Board, shall propose a candidate to be the Chair-Elect for consideration and approval by the Regional and Community Boards. The term of office of the Chair-Elect shall be at least one (1) year. The Chair-Elect learns the duties and responsibilities of the Chair position during his/her term as Chair-Elect and, in the absence of the Chair, or in the event of the Chair's disability, inability, or refusal to act, the Chair-Elect performs the duties of the Chair with the full powers of, and subject to the restrictions upon, the Chair. In addition, each Chair-Elect shall perform such duties as may be assigned by the Community Board or Chair.

If a vacancy in the Chair-Elect position should occur, the vacancy shall be filled through the process described in this Section 4.7.2. The Community Director appointed to fill such vacancy shall serve during the unexpired term of the office after which he/she may be appointed to another term as provided in these Bylaws.

**4.7 COMMITTEES.** Community Boards shall generally manage business as a committee of the whole. Ad hoc committees or work groups may be organized by the Chair, with the concurrence of the relevant Community Board, for special tasks, as circumstances warrant. Such ad hoc committees and work groups shall limit its activities to the accomplishment of the task for which it was formed. Upon completion of the task for which organized, such ad hoc committee or work group shall stand discharged.

Standing committees of the Community Boards may be formed if the respective Community Board(s) and the Regional Board determine that creating a standing committee is the most efficient way to carry out certain work of the Community Board.

**4.8 SITE ADMINISTRATOR.** A competent site administrator shall be selected and employed for each separately licensed hospital facility in the West Region ("Site Administrator"), with input from the Community Boards, the Regional Board and the Member.

The job description for the Site Administrator position shall describe the duties and responsibilities of the Site Administrator and shall identify to whom the Site Administrator reports. Annually, or more frequently, if necessary, the Regional and Community Boards shall participate in the review of each respective Site Administrator's performance based upon an evaluation tool prepared by the Member. The Regional and Community Boards shall participate in discussions relating to any decision to employ or terminate the Site Administrator. The Member Board shall fix a salary to be paid and the other benefits to accrue to the Site Administrators consistent with Member guidelines.

## **ARTICLE V**

### **OPERATIONS OF THE REGIONAL AND COMMUNITY BOARDS**

**5.1 TERM.** With the exception of ex officio members of the Regional and Community Boards, Directors shall serve for a three (3) year term. Directors may be appointed for an initial term that is either longer or shorter than three (3) years so that approximately one-third of the Directors shall be subject to reappointment each year. Directors' terms shall begin on the date of appointment; however for purposes of calculating term limits, the terms of newly appointed Directors shall begin on the first day of the upcoming fiscal year.

**5.1.1 TERM LIMITS.** With the exception of the ex officio members, a Director may not serve more than four (4), three-year terms (excluding partial terms served). "Partial terms" shall mean any period that is less than three (3) consecutive years, beginning on the first day of the Corporation's fiscal year. Partial terms shall not be included in calculating term limits.

**5.2 RESIGNATION/REMOVAL.** A Director may resign at any time by giving written notice to the Chair of the Board on which the Director serves (Regional or Community). A Director may be removed from a Board pursuant to the Approval and Implementation Authorities set forth in Article II of these Bylaws.

**5.3 DIRECTOR VACANCIES.** Neither the Regional Board nor the Community Board is required to fill vacancies on a Board. If a vacancy is filled, it shall be filled at any time in the manner provided in Sections 3.4 and 4.5 of these Bylaws.

**5.4 REGULAR MEETINGS.** The Regional Board and the Community Board shall each meet a minimum of six (6) times per year for the transaction of such business as may come before each meeting, including, without limitation, the appointment of Directors and the election of officers of the Corporation. The Chair of each Board may provide by resolution the time and place for the holding of additional regular meetings of the respective Board without other notice than such resolution. Consideration shall be given to the date and time of the Member's meetings when the Corporation's business includes subjects requiring Member input and/or approval.

**5.5 SPECIAL MEETINGS.** Special meetings of the Regional and Community Boards may be called by the Member, the respective Chair, or the Regional CEO. Special meetings must also be called by the respective Chair upon the written request of one-third (1/3) of the members of the Regional Board or the Community Board. Notice of all special meetings, stating the time, place and purpose(s) of the special meeting, must be delivered to each Director (by telephone, mail or electronically) not less than five (5) business days nor more than thirty (30) calendar days prior to the meeting, unless otherwise waived pursuant to Article XII.

**5.6 PLACES OF MEETING.** The respective Chair may designate any place, either within or outside the State of Idaho, as the place of meeting for any regular or special meeting of the Regional Board or the Community Board. If no designation is made, the meeting shall be at the principal office of the Corporation.

**5.7 QUORUM.** A majority of the members of the relevant Board who are eligible to vote on the matter at hand shall constitute a quorum for the transaction of business at all meetings of the Regional Board and the Community Board. For purposes of determining quorum, a member of the Community Board or the Regional Board shall not be eligible to vote if it has been determined that the member is an "interested person", as defined by the Internal Revenue Service.

**5.8 MANNER OF ACTING.** The act of a majority of the Directors present at a meeting at which a quorum is present shall constitute an action of the Regional Board or the Community Board, respectively.

**5.9 VOTING BY BALLOT.** Voting on any question or in any election may be by voice, unless the presiding officer shall order, or a Director shall demand, that voting be by written or electronic ballot or roll call vote. Voting by electronic ballot shall occur after there has been an opportunity for Board discussion (through other verbal, written or electronic means) and no Director has requested face-to-face discussion.

**5.10 INFORMAL ACTION BY DIRECTORS.** Any action required or permitted to be taken at a regular or special meeting of the Regional or Community Board may be taken without a vote if a written or electronic consent, setting forth the action so taken, is signed or acknowledged electronically by all of the Directors on the relevant Board.

**5.11 ATTENDANCE BY TELEPHONE.** Directors may participate in any meeting through the use of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at the meeting.

**5.12 PRESUMPTION OF ASSENT.** Any Director who is present at a meeting of the Regional or Community Board at which action on any corporate matter is taken, shall be conclusively presumed to have assented to the action taken unless (i) he/she abstains and his/her abstention is recorded in the meeting minutes; or (ii) he/she dissents and his/her dissent is recorded in the minutes of the meeting.

**5.13 RULES OF ORDER.** Except as otherwise determined by the relevant Board, meetings of the Regional Board, the Community Board, and any committees shall be generally conducted in accordance with the most recent edition of Roberts Rules of Order. Failure to comply with Roberts Rules of Order shall not nullify, or otherwise impact any decision of a Board.

## **ARTICLE VI**

### **OFFICERS OF THE CORPORATION**

**6.1 OFFICERS.** Except for offices held by employees of the Member, the officers of the Corporation shall be the Regional Chair, Regional Chair-Elect, Regional CEO, Secretary, Treasurer and such other officers and assistant officers as may be elected from time to time by the Regional Board of Directors from the list of candidates recommended by the Board Development Committee. Unless specifically provided in these Bylaws an officer need not be a Director. The powers and duties of the officers shall be as set forth in these Bylaws and as otherwise designated from time to time by the Regional Board, to the extent consistent with law, the Articles of Incorporation and these Bylaws. Any number of offices may be held by the same person except that the Secretary may not serve concurrently as the Regional CEO.

**6.2 ELECTION.** The Regional Board shall elect a Director who is willing to serve as Chair-Elect during a meeting of the Corporation occurring at least one (1) year prior to the expiration of the current Chair's term. Candidates for the Chair-Elect position shall include the Regional Director who was identified by the Board Development Committee.

The Secretary position shall be filled by General Counsel for the Member and the Treasurer position shall be filled by and the Chief Financial Officer for the Member, unless otherwise mutually agreed by the Regional Board and the Member. If desired by the Regional Board and the Member, the Regional Board shall elect the Secretary and Treasurer during a meeting of the

Corporation. Candidates for these offices shall include recommendations from the Board Development Committee.

**6.3 CHAIR.** Upon vacancy of the Regional Chair position, the Regional Chair-Elect automatically advances into the Regional Chair position unless a majority of the Regional Directors oppose such advancement. The term of office of the Regional Chair shall be for two (2) years, or until his/her successor is duly elected. The Regional Chair shall preside at all meetings of the Regional Board, appoint the Chairs of all Regional Board committees and shall coordinate the development of the Corporation's strategic, operating and capital plans, goals and objectives. The Chair also shall carry out all other duties assigned by the Member and the Regional Board.

**6.4 CHAIR-ELECT.** A Chair-Elect of the Regional Board shall be elected at least one year prior to the Regional Chair's final year. The Board Development Committee shall propose a candidate to be the Chair-Elect of the Regional Board for consideration and approval by the Regional Board. The term of office of the Regional Chair-Elect shall be at least one (1) year. The Regional Chair-Elect learns the duties and responsibilities of the Regional Chair position during his/her term as Regional Chair-Elect and, in the absence of the Regional Chair, or in the event of the Regional Chair's disability, inability, or refusal to act, the Regional Chair-Elect performs the duties of the Regional Chair with the full powers of, and subject to the restrictions upon, the Regional Chair. In addition, the Regional Chair-Elect shall perform such duties as may be assigned by the Regional Board or the Regional Chair.

If a vacancy in the Regional Chair-Elect position should occur, the vacancy shall be filled through the process described in Section 6.10. The Regional Director appointed to fill such vacancy shall serve during the unexpired term of the office after which he/she may be appointed to another term as provided in these Bylaws.

**6.5 CHIEF EXECUTIVE OFFICER.** The Corporation, through the Regional Board with input from the Community Board, and the Member shall cooperatively select and employ a competent Chief Executive Officer, subject to this Section 6.5 and Sections 2.6(c) and 3.2(c). The Chief Executive Officer for the Corporation ("Regional CEO") shall also be the Chief Executive Officer for the West Region and such person shall, among other things, be responsible for the general management of the Corporation and shall be given the necessary authority to affect this responsibility, subject to these Bylaws and the job description for the Regional CEO. The Regional CEO shall act as the representative of the Corporation in all matters which the Regional Board has not formally designated some other person for that specific purpose. The Member CEO and the Regional Board retain the right to revoke any and all authority which may have been delegated to the Regional CEO.

The Regional CEO shall perform the duties and responsibilities set forth in the job description for the Regional CEO as the Member CEO shall develop from time to time, with participation from the Regional Board as requested. Annually, or more frequently, if necessary, the Regional

and Community Boards shall review the performance of the Regional CEO using an evaluation tool prepared by the Member. The Member Board shall fix a salary to be paid and the other benefits to accrue to the Regional CEO consistent with Member guidelines.

The Regional CEO's employment may be terminated by the Member CEO under any one of the following circumstances: i) upon receiving a recommendation from the Regional Board; ii) upon supermajority approval by the Member's Board of Directors; or iii) as desired by the Member CEO after consulting with the Regional Board.

**6.6 SECRETARY.** The Secretary shall be the custodian of and shall maintain the corporate books and records and the minutes of the meetings of the Regional and Community Boards. The Secretary, or designee, shall assure that all required notices are duly given in accordance with these Bylaws, the Articles of Incorporation or as otherwise may be required by law. In general, the Secretary shall perform all duties incident to the office of Secretary, subject to the control of the Regional Board, and shall do and perform such other duties as may be assigned from time to time by the Regional Board. The Secretary may designate certain ministerial and administrative functions to an assistant secretary and/or staff of the Corporation as desired.

**6.7 TREASURER.** The Treasurer shall have general charge and responsibility relating to the financial concerns of the Corporation. In general, the Treasurer shall perform all duties incident to the office of Treasurer, subject to the control of the Regional Board, and shall do and perform such other duties as may be assigned from time to time by the Regional Board. The Treasurer may designate certain ministerial and administrative functions to an assistant treasurer and/or staff of the Corporation or Member as desired.

**6.8 STANDARDS OF CONDUCT.** All Corporation officers shall discharge their duties in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner that is in the best interests of the Corporation. In discharging duties, officers may rely on information, opinions, reports or statements, including financial statements and other financial data, if prepared or presented by an officer or employee of the Corporation or Member who the officer reasonably believes to be reliable and competent, legal counsel, public accountants or other persons as to matters the officer reasonably believes are within the person's professional or expert competence. An officer is not liable to the Corporation, the Member, or other person for any action taken or not taken as an officer, if the officer acted in compliance with this Section 6.8.

**6.9 RESIGNATION AND REMOVAL.** Officers may resign at any time by filing a written resignation with the Chair of the Regional Board. With the exception of the Regional CEO, the Regional Board may remove officers by means of a resolution approved by the Regional Board.

**6.10 OFFICER VACANCIES.** A vacancy in an office may be filled by the Regional Board for the unexpired portion of the term of such vacant office, except that a vacancy in the office of the Regional CEO shall be filled by the Member in accordance with Section 6.5 above. If an



office vacancy occurs, the Regional Chair shall appoint a Regional Director to fill the office unless otherwise specified in these Bylaws or Regional Board resolution. The initial term of office of a Director appointed to fill such a vacancy shall be equal to the unexpired term of the office being filled, after which he/she may be appointed to another term as provided in these Bylaws.

**6.11 DELEGATION.** With the exception of the Regional CEO, the Regional Board may temporarily delegate the powers and duties of any officer, in case of such officer's absence or for any other reason, to any other officer, and may authorize the delegation by an officer of any such officer's powers and duties to any agent or employee subject to the general supervision of such officer.

## **ARTICLE VII**

### **MEDICAL STAFF**

**7.1 CREATION.** The Regional Board shall develop an independent professional Medical Staff(s) at the Corporation's facility(ies) in accordance with Medical Staff Bylaws, Credentialing Policy, Medical Staff Rules and Regulations and other Medical Staff and Member policies (collectively "Medical Staff Organizational and Governance Documents") that are effective once approved by the Regional Board. The Medical Staff Organizational and Governance Documents shall be reviewed and revised from time to time by the Medical Staff(s) or the Regional Board and submitted to the Regional Board for consideration and adoption. Nothing contained in the Medical Staff Organizational and Governance Documents shall be inconsistent with these Bylaws or the Articles of Incorporation of the Corporation. The Medical Staff Organizational and Governance Documents shall contain at a minimum:

- a. Medical Staff categories and categories for allied health professionals;
- b. Delineation of Medical Staff officers and the term and duties attendant to each office;
- c. Designation of Medical Staff clinical departments, functions of each department, department assignments, department policies, leadership in each department and departmental meetings format and attendance requirements;
- d. Medical Staff meetings, meeting procedures and attendance requirements;
- e. Medical Staff dues, special assessments and Medical Staff responsibilities;
- f. Detailed procedures governing the appointment and credentialing process for physicians and allied health professionals;

- g. Provision for reviewing clinical competency and developing and granting appropriate clinical privileges for physicians and allied health professionals;
- h. Provision for clinical and conduct expectations for applicants and practitioners;
- i. Description of possible disciplinary action, formal hearings and appeals to be available in accordance with the Health Care Quality Improvement Act of 1986;
- j. Terms and conditions of appointment and granting of clinical privileges;
- k. Assurances that only members of the Medical Staff shall admit patients to the Corporation's facilities and only licensed practitioners with appropriate clinical privileges shall be directly responsible for the diagnosis, treatment and care of patients; and
- l. Provisions regarding exclusive contract arrangements.

**7.2 APPOINTMENT.** The Regional Board shall consider recommendations from the Medical Staff(s) and the Medical Executive Committee(s) and make appointments and grant clinical privileges to those who meet the qualifications set forth in the Medical Staff Organizational and Governance Documents. When the Regional Board does not concur with a recommendation, the matter will be reviewed in accordance with the Medical Staff Organizational and Governance Documents. The final authority with respect to Medical Staff appointment and privileging rests with the Regional Board.

**7.3 QUALITY ASSURANCE.** The Regional Board shall, in the exercise of its overall responsibility, assign to the Medical Staff(s) reasonable authority for ensuring appropriate professional care to the Corporation's patients. The Regional and Community Boards shall, consistent with protocols developed in cooperation with the Member, require that the Medical Staff(s) establish controls that are designed to ensure the achievement and maintenance of high standards of professional ethical practices and to assure that all patients with the same health problem receive the same level of care in the Corporation's facilities. The Medical Staff(s) shall implement and report on the activities and mechanisms for monitoring and evaluating the quality of patient care, for identifying and resolving problems and for identifying opportunities to improve patient care and shall report such activities and their results to the Regional and Community Boards. The Medical Staff Executive Committee(s) shall make reports directly to the Regional Board, or indirectly through the quality committee of the Regional Board, concerning all matters relating to professional competency.

## **ARTICLE VIII**

### **VOLUNTEER ORGANIZATIONS**

The Boards shall encourage volunteer organizations for furtherance of the Corporation's purposes in carrying on activities relating to rendering care to the sick and injured and to the

promotion of health and shall cooperate with such organizations in the furtherance of such purposes. The activities and operations of volunteer organizations that are not owned by the Corporation, but that benefit of the Corporation, shall be periodically reported to the Boards.

The governing documents of volunteer organizations that are owned by the Corporation, and any amendments or changes to such owned organizations' governing documents or operations, shall be subject to the prior approval of the Regional Board.

Activities of any volunteer organization on behalf of the Corporation shall be coordinated with the Regional CEO or designee.

#### **ARTICLE IX** **CONFLICT OF INTEREST**

The Member shall adopt a Conflict of Interest, Confidentiality and Corporate Opportunity Policy to protect the Corporation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or Director of the Corporation. The Directors must comply with the policy and such policy is intended to supplement but not replace Section 30-3-81, Idaho Code governing conflicts of interest applicable to directors of nonprofit and charitable corporations.

#### **ARTICLE X** **CONTRACTS**

The Regional Board, except as these Bylaws or the Articles of Incorporation may otherwise provide, may authorize any officer of the Corporation or Member to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation.

#### **ARTICLE XI** **FISCAL YEAR**

The fiscal year of the Corporation shall be the same as the fiscal year for the Member, which shall begin October 1. The fiscal year for the Corporation and the Member may be changed from time to time by resolutions of their respective Board of Directors.

#### **ARTICLE XII** **AMENDMENTS**

These Bylaws may be amended after the proposed changes have been provided to the Community Board and with both (i) the affirmative vote of a majority of the members of the Regional Board; and (ii) approval by the Member in accordance with the Member's Bylaws. The Boards shall regularly review these Bylaws and recommend revisions as appropriate. No amendment will contain any language that is inconsistent with, in conflict with, or prohibited by

the Agreement between and among SLHS, SLM and the District, effective October 1, 2010 ("Definitive Agreement").

**ARTICLE XIII**  
**WAIVER OF NOTICE**

Whenever any notice is required to be given under the provisions of the Idaho Nonprofit Corporation Act or these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated herein, shall be deemed equivalent to the giving of such notice. Attendance at any meeting shall constitute a waiver of notice unless the Director or committee member attends the meeting to object to the transaction of business because the meeting is not lawfully convened.

**ARTICLE XIV**  
**INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES  
AND AGENTS OF THE CORPORATION**

**14.1 DIRECTOR LIABILITY LIMITATIONS.** For purposes of this Article XIV, "Director" shall include Directors on the Community Boards. A Director shall have no liability to the Corporation for monetary damages for conduct as a director, except for acts or omissions that involve intentional misconduct by the Director or a knowing violation of law by the Director, or where the Director votes in favor of or assents to a distribution which is unlawful or violates the requirements of these Bylaws or the Articles of Incorporation, or for any transaction from which the Director will personally receive a benefit in money, property or services to which the Director is not legally entitled. If the Idaho Nonprofit Corporation Act is hereafter amended to authorize corporate action further eliminating or limiting the personal liability of Directors, then the liability of a Director shall be eliminated or limited to the full extent permitted by the Idaho Nonprofit Corporation Act, as so amended, without need for further amendment of these Bylaws or any other action by the Boards. Any repeal or modification of this Article XIV shall not adversely affect any right or protection of a Director of the Corporation existing at the time of such repeal or modification for or with respect to an act or omission of such Director occurring prior to such repeal or modification.

**14.2 RIGHT TO INDEMNIFICATION.** Each person who was, or is threatened to be made a party to, or is otherwise involved (including, without limitation, as a witness) in, any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a Director, officer or committee member of the Corporation or, while a Director, officer or committee member, he or she is or was serving at the request of the Corporation as a Director, trustee, officer, committee member, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a Director, trustee, officer, committee member, employee or agent or in any other capacity while serving as a Director, trustee, officer, committee member,

employee or agent, shall be indemnified and held harmless by the Corporation, to the full extent permitted by applicable law as then in effect, against all expense, liability and loss (including attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a Director, trustee, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in Section 14.3 below, with respect to proceedings seeking solely to enforce rights to indemnification, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Regional Board. The right to indemnification conferred in this Section 14.2 shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that the payment of such expenses in advance of the final disposition of a proceeding shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such Director, officer or committee member, to repay all amounts so advanced if it shall ultimately be determined that such Director, officer or committee member is not entitled to be indemnified under this Section 14.2 or otherwise.

**14.3 RIGHT OF CLAIMANT TO BRING SUIT.** If a claim for which indemnification is required under Section 14.2 above is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for expenses incurred in defending a proceeding in advance of its final disposition, in which case the applicable period shall be twenty (20) days, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, to the extent successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim. The claimant shall be presumed to be entitled to indemnification under this Article upon submission of a written claim (and, in an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition, where the required undertaking has been tendered to the Corporation), and thereafter the Corporation shall have the burden of proof to overcome the presumption that the claimant is not so entitled. Neither the failure of the Corporation (including its Boards, its independent legal counsel or its members, if any) to have made a determination prior to the commencement of such action that indemnification of or reimbursement or advancement of expenses of the claimant is proper in the circumstances nor an actual determination by the Corporation (including its Boards, independent legal counsel or its members, if any) that the claimant is not entitled to indemnification or to the reimbursement or advancement of expenses shall be a defense to the action or create a presumption that the claimant is not so entitled.

**14.4 NONEXCLUSIVITY OF RIGHTS.** The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire

under any statute, provision of the Articles of Incorporation, Bylaws, agreement, vote of disinterested Directors or otherwise.

**14.5 INSURANCE, CONTRACTS, AND FUNDING.** The Corporation shall maintain insurance at its expense to protect itself and any Director, trustee, officer, committee member, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such persons against such expense, liability or loss under the Idaho Nonprofit Corporation Act, as applied to nonprofit corporations. The Corporation may, without further action of the Member, enter into contracts with any Director or officer of the Corporation in furtherance of the provisions of this Article XIV and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article.

**14.6 INDEMNIFICATION OF EMPLOYEES AND AGENTS OF THE CORPORATION.** The Corporation may, by action of its Regional Board from time to time, provide indemnification and pay expenses in advance of the final disposition of a proceeding to employees and agents of the Corporation with the same scope and effect as the provisions of this Article with respect to the indemnification and advancement of expenses of directors and officers of the Corporation or pursuant to rights granted pursuant to, or provided by, the Idaho Nonprofit Corporation Act, as applied to nonprofit corporations, or otherwise.

**14.7 LIMITATIONS ON INDEMNIFICATION.** Notwithstanding any other provision of this Article, the Corporation shall only indemnify any of its officers, Directors, committee members, employees and agents to the extent such indemnification does not constitute an act of "self-dealing" under the Internal Revenue Code and any Treasury Regulation.

## **ARTICLE XV**

### **EXEMPT ACTIVITIES**

The Corporation is organized and shall be operated exclusively for charitable, educational, religious and scientific purposes within the meaning of Section 501(c)(3) of the Code. No part of the net earnings of the Corporation shall inure to the benefit of any Director or officer of the Corporation, or any private individual (except that reasonable compensation may be paid for services rendered to or for the Corporation affecting one or more of its purposes), and no Member, Director, or officer of the Corporation, or any private individual, shall be entitled to share in the distribution of any of the corporate assets on dissolution of the Corporation.

No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publication or distribution of statements), any political campaign on behalf of any candidate for public office.

Notwithstanding any other provision of the Articles of Incorporation or Bylaws, the Corporation shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization described in Section 501(c)(3) of the Code and the Treasury Regulations promulgated thereunder, as they now exist or as they may hereafter be amended, or by an organization contributions to which are deductible under Section 170(c)(2) of the Code and the Treasury Regulations promulgated thereunder, as they now exist or as they may hereafter be amended.

**ARTICLE XVI**  
**OFFICE AND REGISTERED AGENT**

**16.1 OFFICE.** The principal office and location of the Corporation shall be as stated in the Articles of Incorporation unless otherwise designated from time to time by the Regional Board.

**16.2 REGISTERED AGENT.** The Corporation shall have and continuously maintain a registered office and agent in the State of Idaho. The location of the registered office and the name of the registered agent shall be such as designated by the Regional Board.

**ARTICLE XVII**  
**DISSOLUTION OF THE CORPORATION**

**17.1 PLAN OF DISSOLUTION.** A plan of dissolution shall not be approved and implemented by the Corporation until notice has been provided to the McCall Memorial Hospital District and the process which is prescribed in Article 8 of the Definitive Agreement has been completed and unless, consistent with then applicable provisions of the Idaho Non-Profit Corporations Act or other applicable law, such plan provides for priority distribution of the Corporation's assets as follows:

a. The payment, satisfaction, release or reservation for all lawful third-party claims against the Corporation paid in the order required by law.

b. Repayment of all inter-company loans or transfers by and between the Member and the Corporation.

c. The remainder of the Corporation's assets shall be distributed in the following order of priority:

(i) to the Member if the Member exists and is operating as a tax-exempt, Idaho nonprofit corporation;

(ii) To the St. Luke's McCall Foundation or its successor;


(iii) For the benefits of the McCall Community;

(iv) In accordance with the Idaho Nonprofit Corporation Act.

**17.2 SALE OF ASSETS.** The McCall Memorial Hospital District retains a right to repurchase certain assets of the Corporation upon the occurrence of "Triggering Events", as such term is defined in Article 8 of the Definitive Agreement. Sale of all or substantially all of the Corporation assets shall not occur unless or until the McCall Memorial Hospital District has waived or exercised its repurchase option and the other terms and conditions of Article 8 have been met.

**17.3 MEMBERSHIP INTEREST.** Sale by Member of its majority membership interest in the Corporation shall not occur until notice has been provided to the McCall Memorial Hospital District and the requirements of Article 8 of the Definitive Agreement have been met. If Member sells less than all its membership interest, but there is no Change of Control as a result, the proceeds received shall be divided, (a) with Member receiving that portion of the proceeds equal to its basis in the membership interest sold plus the Member percentage of the excess, and (b) the balance shall be distributed to a Qualified Recipient as provided in the Definitive Agreement.

The undersigned, being the duly elected Secretary of the Corporation, do hereby certify that the foregoing Bylaws were duly adopted as the official Bylaws of the Corporation on the 13<sup>th</sup> day of March, 2014.

  
By: Christine S. Neuhoff  
Its: Secretary