

**KAMALA D. HARRIS**  
**Attorney General**

**State of California**  
**DEPARTMENT OF JUSTICE**



300 SOUTH SPRING STREET, SUITE 1702  
LOS ANGELES, CA 90013

Public: (213) 897-2000  
Telephone: (213) 897-2178  
Facsimile: (213) 897-7605  
E-Mail: wendi.horwitz@doj.ca.gov

December 3, 2015

**Sent by Internet and U.S. Mail**

John O. Chesley, Esq.  
ROPES & GRAY LLP  
Three Embarcadero Center  
San Francisco, CA 94111-4006

RE: Proposed Change in Governance and Control of Daughters of Charity Health System

Dear Mr. Chesley:

Pursuant to Corporations Code section 5914 *et seq.*, the Attorney General hereby conditionally consents to the proposed change in governance and control of Daughters of Charity Health System pursuant to the terms of the System Restructuring and Support Agreement entered into by and between Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Certain Funds Managed by BlueMountain Capital Management, LLC, a Delaware limited liability company, and Integrity Healthcare, LLC, a Delaware limited liability company. Corporations Code section 5917, and California Code of Regulations, title 11, section 999.5, subdivision (f), set forth factors that the Attorney General shall consider in determining whether to consent to a proposed transaction between a nonprofit corporation and a for-profit corporation. The Attorney General has considered such factors and consents to the proposed transaction subject to the attached conditions that are incorporated by reference herein.

Thank you for your cooperation throughout the review process.

Sincerely,

[Original Signed]

WENDI A. HORWITZ  
Deputy Attorney General

For KAMALA D. HARRIS  
Attorney General

Enclosure

Cc: Mark Waxman, Esq.

**Conditions to Change in Control and Governance of St. Francis Medical Center<sup>1</sup> and Approval of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Certain Funds Managed by BlueMountain Capital Management, LLC<sup>2</sup>, and Integrity Healthcare, LLC**

**I.**

These Conditions shall be legally binding on Daughters of Charity Ministry Services Corporation, a California nonprofit religious corporation, Daughters of Charity Health System, a California nonprofit religious corporation, Verity Health System of California, Inc., a California nonprofit public benefit corporation, St. Vincent Medical Center, a California nonprofit religious corporation, St. Francis Medical Center, a California nonprofit religious corporation, O'Connor Hospital, a California nonprofit religious corporation, Saint Louise Regional Hospital, a California nonprofit religious corporation, and Seton Medical Center, a California nonprofit religious corporation, St. Francis Medical Center of Lynwood Foundation, a California nonprofit religious corporation, St. Vincent Foundation, a California nonprofit religious corporation, Seton Medical Center Foundation, a California nonprofit religious corporation, Saint Louise Regional Hospital Foundation, a California nonprofit religious corporation, O'Connor Hospital Foundation, a California nonprofit religious corporation, Caritas Business Services, a California nonprofit religious corporation, Verity Business Services, a California nonprofit public benefit corporation, DCHS Medical Foundation, a California nonprofit religious corporation, Verity Medical Foundation, a California nonprofit public benefit corporation, St. Vincent de Paul Ethics Corporation, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Marillac Insurance Company, Ltd., a Cayman Islands corporation, DePaul Ventures, LLC, a California limited liability company, DePaul Ventures – San Jose ASC, LLC, a California limited liability company, DePaul Ventures – San

---

<sup>1</sup> Throughout this document, the term “St. Francis Medical Center” shall mean the general acute care hospital located at 3630 East Imperial Highway, Lynwood, CA 90262, and any other clinics, laboratories, units, services, or beds included on the license issued to St. Francis Medical Center by the California Department of Public Health, effective January 1, 2015, unless otherwise indicated.

<sup>2</sup> The term “Certain Funds Managed by BlueMountain Capital Management, LLC” shall mean the following: BlueMountain Guadalupe Peak Fund, L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Summit Opportunities Fund II (US) L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BMSB L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Foinaven Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Logan Opportunities Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, and BlueMountain Montenvers Master Fund SCA SICAV-SIF, a Luxembourg corporate partnership limited by shares, by BlueMountain Capital Management, LLC, its investment manager.

Jose Dialysis, LLC, a California limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, the above-listed entities whose corporate status will be changed from a California nonprofit religious corporation to a California nonprofit public benefit corporation, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Francis Medical Center, or the real property on which St. Francis Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Francis Medical Center, and any and all current and future lessees and owners of the real property on which St. Francis Medical Center is located.

These Conditions shall be legally binding on the following entities, as defined in Operating Asset Purchase Option Agreement, Operating Asset Purchase Agreement, Real Estate Purchase Option Agreement, and the Real Estate Purchase Agreement, when the closing occurs on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement: the Option Holders, Purchaser and its Affiliates, "OpCo" a Delaware limited liability company, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, and "PropCo" a Delaware limited liability company that will elect to be treated for tax purposes as a real estate investment trust, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, Integrity Healthcare, LLC, a Delaware limited liability company, Integrity Healthcare Blocker, LLC, a Delaware limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, managing member, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Francis Medical Center, or the real property on which St. Francis Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Francis Medical Center, and any and all current and future lessees and owners of the real property on which St. Francis Medical Center is located.

## II.

The transaction approved by the Attorney General consists of the System Restructuring and Support Agreement dated July 17, 2015, Amendment No. 1 to System Restructuring and Support Agreement, and any agreements or documents referenced in or attached to as an exhibit or schedule and any other documents referenced in the System Restructuring and Support Agreement and Amendment No. 1 to System Restructuring and Support Agreement including, but not limited to:

- a. Transitional Consulting Services Agreement dated July 17, 2015;
- b. Health System Management Agreement with Integrity Healthcare, LLC;
- c. Debt Facility Commitment Letter dated July 17, 2015, signed by all the funds listed in footnote 2 and BlueMeridian Capital, LLC;
- d. Operating Asset Purchase Option Agreement;
- e. Operating Asset Purchase Agreement;

- f. Real Estate Purchase Option Agreement;
- g. Real Estate Purchase Agreement;
- f. Information Technology Lease Agreement; and
- g. Deposit Escrow Agreement dated July 17, 2015.

All the entities listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the above agreements shall fulfill the terms of these agreements or documents and shall notify and obtain the Attorney General's approval in writing of any proposed modification or rescission of any of the terms of these agreements or documents. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General's approval.

### III.

For fifteen years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center, and all future owners, managers, lessees, licensees, or operators of St. Francis Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

(a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. Francis Medical Center;

(b) Transfer control, responsibility, management, or governance of St. Francis Medical Center. The substitution or addition of a new corporate member or members of St. Francis Medical Center or Verity Health System of California, Inc. that transfers the control of, responsibility for or governance of St. Francis Medical Center, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of St. Francis Medical Center or Verity Health System of California, Inc., or any arrangement, written or oral, that would transfer voting control of the members of the governing body of St. Francis Medical Center or Verity Health System of California, Inc., shall also be deemed a transfer for purposes of this Condition.



#### IV.

For ten years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency and trauma medical services at no less than current<sup>3</sup> licensure and designation with the same types and/or levels of services, including the following:

- a. 46 emergency treatment stations at a minimum;
- b. Designation as a Level II Trauma Center and operating a Level II Trauma Center that complies with all requirements under California laws and regulations and Los Angeles County Emergency Medical Services Agency Prehospital Care Policies and Procedures;
- c. Designation as a 5150 Receiving Facility, as defined by the Welfare and Institutions Code, section 5150, for behavioral health patients under involuntary evaluation, and operating such a receiving facility that complies with all requirements under Welfare and Institutions Code, section 5150 and other California laws and regulations;
- d. Psychiatric evaluation team;
- e. Designation as an Emergency Department Approved for Pediatrics;
- f. Designation as a Paramedic Base Station, with the same number of assigned paramedic units that currently exists; and
- g. The annual maximum number of hours on diversion is 200 hours.

St. Francis Medical Center must give one-year advance written notice to the Los Angeles County Emergency Medical Services Agency and the California Department of Public Health if St. Francis Medical Center seeks to reduce trauma or trauma-related care services or stop operating the Level II Trauma Center after ten years from the closing date of the System Restructuring and Support Agreement.

#### V.

For at least ten years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall maintain on-call coverage contracts and/or comparable coverage arrangements with physicians at fair market value that are necessary to ensure trauma coverage, including the following specialty services:

- a. General surgery;
- b. Trauma surgery;
- c. Neuro-trauma surgery;
- d. Obstetrical/gynecological surgery;
- e. Orthopedic surgery;
- f. Trauma orthopedic surgery;

---

<sup>3</sup> The term "current" or "currently" throughout this document means as of January 1, 2014.

- g. Vascular surgery;
- h. Cardiothoracic surgery;
- i. Plastic surgery;
- j. Ophthalmology;
- k. Otolaryngology;
- l. Anesthesia; and
- m. Urology.

## VI.

For at least ten years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall maintain, provide, and expand the following services at current licensure, types, and/or levels of services:

- a. Cardiac services, including at a minimum, three cardiac catheterization labs and the designation as a STEMI Receiving Center;
- b. Critical care services, including a minimum of 36 intensive care unit beds or 24 intensive care unit beds and 12 System Restructuring and Support observation beds;
- c. Advanced certification as a Primary Stroke Center;
- d. Neonatal intensive care services, including a minimum of 29 neonatal intensive care beds, and at minimum, maintaining a Level II Neonatal Intensive Care Unit;
- e. Women's health services, including women's imaging services;
- f. Cancer services, including radiation oncology;
- g. Pediatric services, including a minimum of 14 pediatric beds;
- h. Orthopedic and rehabilitation services;
- i. Wound care and hyperbaric medicine services;
- j. Reproductive health services and expand such services to include those prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops;
- k. Inpatient psychiatric services, including a minimum of 40 inpatient acute psychiatric beds; and
- l. Obstetric services, including a minimum of 50 obstetrics beds.

St. Francis Medical Center shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VII.

For five years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall either: (1) operate the 1206(d) clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures (e.g., 1206(l) Medical Foundation), or (2) sell the 1206(d) clinics (listed below) with the same number of physician and mid-level provider full-time equivalents in the and require the purchaser(s) to maintain such services for 5 years from the closing date of the

System Restructuring and Support Agreement and to participate in the Medi-Cal and Medicare programs as required in Condition VIII, or (3) ensure that a third party is operating the 1206(d) clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the third party to maintain such services for 5 years from the closing date of the System Restructuring and Support Agreement and to participate in the Medi-Cal and Medicare programs as required in Condition VIII. For any of these options, each clinic can be moved to a different location within a three-mile radius of each clinic's current location, and St. Francis Medical Center can utilize an alternative structure (e.g., Federally Qualified Health Center, physician office practice) in providing such services. The following 1206 (d) clinics are subject to this condition:

- a. Lynwood Clinic – Family Practice and Pediatrics, located at 3628 E. Imperial Highway, #303 in Lynwood;
- b. Downey Clinic – Family Practice and Pediatrics, located at 7840 Imperial Highway, Unit B, in Downey; and
- c. Orthopedics Clinic, located at 3628 E. Imperial Highway, #300, in Lynwood.

### VIII.

For ten years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall:

- a) Be certified to participate in the Medi-Cal program;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at St. Francis Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause:
  - i) Local Initiative: LA Care Health Plan or its successor; and
  - ii) Commercial Plan: Health Net Community Solutions, Inc. or its successor.

If St. Francis Medical Center questions whether it is being reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the Attorney General's Office with at least 120 days' notice prior to taking any action that would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.

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

## IX.

For eleven fiscal years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall provide an annual amount of Charity Care (as defined below) at St. Francis Medical Center equal to or greater than \$16,646,323 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by St. Francis Medical Center in connection with the operation and provision of services at St. Francis Medical Center. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup> St. Francis Medical Center shall use and maintain a charity care policy that is no less favorable than St. Francis Medical Center's current charity care policy and in compliance with California and Federal law. The planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at St. Francis Medical Center shall be decided by the St. Francis Medical Center Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XII.

St. Francis Medical Center's obligation under this Condition shall be prorated on a daily basis if the closing date of the System Restructuring and Support Agreement is a date other than the first day of St. Francis Medical Center's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

While the Health System Management Agreement with Integrity Healthcare, LLC is in effect, if the actual amount of charity care provided at St. Francis Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, St. Francis Medical Center shall pay an amount equal to the deficiency as follows: 50% of the deficiency payment as a contribution to the Daughters of Charity Health System Retirement Plan (Defined Benefit Church Plan), as defined in the System Restructuring and Support Agreement, in addition to the contributions that are required by the amortization schedule and premium payments required under Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 (as amended), as set forth in section 7.3 in the System Restructuring and Support Agreement until the Defined Benefit Church Plan is fully funded, and 50% of the deficiency payment for capital expenditures as set forth in section 7.7 of the System Restructuring and Support Agreement for repairing and/or upgrading the hospital buildings and equipment including, but not limited to, seismic

---

<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as . . . charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

compliance as required in Condition XVI. Such payments shall be made within four months following the end of such fiscal year.

After the closing date on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, if the actual amount of charity care provided at St. Francis Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, St. Francis Medical Center shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide direct health care services to residents in St. Francis Medical Center's service area (30 ZIP codes), as defined on page 65 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment(s) shall be made within four months following the end of such fiscal year.

The 2010 Federal Affordable Care Act may cause a reduction in future needs of charity care. Because of the impact of the Medi-Cal expansion in California and other effects from the 2010 Federal Affordable Care Act, the California Attorney General will consider adjusting the Minimum Charity Care Amount based on financial data submitted to OSHPD from time periods after implementation of the 2010 Federal Affordable Care Act. Any actual reduction will be considered "unforeseen" for purposes of Title 11, California Code of Regulations, section 999.5, subdivision (h). Once St. Francis Medical Center submits its Annual Financial Disclosure Report to OSHPD for Fiscal Year 7/1/2015 to 6/30/2016, it may seek a request for an amendment of the Minimum Charity Care Amount beginning for Fiscal Year 7/1/2016 to 6/30/2017. The Attorney General's Decision on such a request will be issued within 90 days of the submission of all of the information required in Title 11, California Code of Regulations, section 999.5, subdivision (h)(2) and all the information requested by the Attorney General's Office.

## X.

For eleven fiscal years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall provide an annual amount of Community Benefit Services at St. Francis Medical Center equal to or greater than \$1,362,680 (the "Minimum Community Benefit Services Amount") exclusive of any funds from grants. For eleven fiscal years, the following community benefit programs and services shall continue to be offered:

- a. Health Benefits Resource Center;
- b. Welcome Baby Program;
- c. Healthy Community Initiatives;
- d. St. Francis Career College's access for onsite training;
- e. Paramedic Training and Education; and
- f. Patient Transportation support.

The planning of, and any subsequent changes to, the community benefit services provided at St. Francis Medical Center shall be decided upon by the St. Francis Medical Center's Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XII.

St. Francis Medical Center's obligation under this Condition shall be prorated on a daily basis if the effective date of the System Restructuring and Support Agreement is a date other than the first day of St. Francis Medical Center's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at St. Francis Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, St. Francis Medical Center shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Francis Medical Center's service area (30 ZIP codes), as defined on page 65 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

## XI.

For at least ten years from the closing date of the System Restructuring and Support Agreement unless otherwise indicated, St. Francis Medical Center shall maintain its contracts and any amendments and exhibits thereto with the County of Los Angeles for services, including the following:

- a. Radiation Therapy Services Agreement;
- b. Impacted Hospital Program Agreement until terminated by Los Angeles County in June 2016;
- c. Department of Mental Health Legal Entity Agreement;
- d. Mental Health Services Agreement Contract Allowable Rate-Fee for Service Medi-Cal Acute Psychiatric Inpatient Services;
- e. EDAP Confirmation Agreement;
- f. Designation Agreement (72-Hours Evaluation and Intensive Treatment Facility);
- g. Paramedic Base Hospital Services Agreement;
- h. Trauma Center Services Agreement;
- i. Trauma Center Services Augmentation Agreement until terminated by Los Angeles County in December 2015;
- j. Nursing Affiliation Agreement; and
- k. Hospital Preparedness Program Agreement.

For at least ten years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall provide to the Los Angeles County Department of Health Services and Los Angeles County of Department of Mental Health information and documents

related to staffing assessments, clinical guidelines, services provided, and technology needs for St. Francis Medical Center. The goal is to ensure that St. Francis Medical Center's decisions or changes in these areas will not be motivated by a desire to move away from serving the Medi-Cal population. Such information and documents will also be provided to the Local Governing Board.

## XII.

For ten years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall have a Local Governing Board of Directors. St. Francis Medical Center's Board of Directors shall consult with the Local Governing Board of Directors prior to making changes to medical services, community benefit programs, making capital expenditures including the spending of the funds for the "Capital Commitment" set forth in section 7.7 of the System Restructuring and Support Agreement and attached hereto as Exhibit 2, making changes to the charity care and collection policies, and making changes to charity care services provided at St. Francis Medical Center. The members of the Local Governing Board shall include physicians from St. Francis Medical Center's medical staff, St. Francis Medical Center's Chief of Staff, one member designated by the Los Angeles County Board of Supervisors, and community representatives from St. Francis Medical Center's primary service area (30 ZIP codes), as defined on page 65 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Local Governing Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

## XIII.

Verity Health System of California, Inc. shall reserve or expend the \$180 million capital commitment set forth in section 7.7 of the System Restructuring and Support Agreement and attached hereto as Exhibit 2.

## XIV.

Verity Health System of California, Inc. shall comply with the pension obligations set forth in section 7.3 of the System Restructuring and Support Agreement. Section 7.3 of the System Restructuring and Support Agreement should be amended to include the following language:

(f) Notwithstanding any limitations set forth in the documents governing the Defined Benefit Church Plan, the Defined Contribution Church Plans, and the Multiemployer Plans, the participants of these plans have the legal right to enforce compliance of Section 7.3 against Verity Health System of California, Inc.

## XV.

St. Francis Medical Center shall maintain privileges for current medical staff who are in good standing as of the closing date of the System Restructuring and Support Agreement. Further, the closing of the System Restructuring and Support Agreement shall not change the medical staff officers, committee chairs, or independence of the St. Francis Medical Center's medical staff, and such persons shall remain in good standing for the remainder of their tenure.

## XVI.

Verity Health System of California, Inc. shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. Francis Medical Center through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070).

## XVII.

Within sixty days of the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center's Board of Trustees shall replace Article of IV, Section 3, subsection (a) of its Amended and Restated Bylaws Template (attached hereto as Exhibit 3) with the following language:

(a) Number and Composition. The Board of Trustees shall generally consist of not less than five (5) nor more than seventeen (17) members, including:

i) no more than 50 percent shall be members who are in good standing on the Board of Directors of Verity Health System of California, Inc.;

ii) at least one-third shall be residents of Los Angeles County; and

iii) no members shall have either directly or indirectly, personally or through a family member have any financial relationship with BlueMountain Capital Management, LLC or any of its owned or managed affiliates or Integrity Healthcare, LLC, and may not serve as an officer, director, contractor or employee of BlueMountain Capital Management, LLC or any of its owned or managed affiliates, or Integrity Healthcare, LLC, any managed fund, or entity in which BlueMountain Capital Management, LLC has an equity stake or option to purchase, except for public companies wherein BlueMountain Capital Management, LLC has an interest of less than 10%.

St. Francis Medical Center's Board of Trustees shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Articles Template as Exhibit 4) and Amended and Restated Bylaws within 90 days from the closing date of the System Restructuring and Support Agreement requiring these provisions and any further changes to these documents must be approved by the Attorney General.



Within sixty days of the closing date of the System Restructuring and Support Agreement, Verity Health System of California, Inc. shall adopt the same Conflict of Interest Policy currently used by Daughters of Charity Health System and its affiliates (attached hereto as Exhibit 5) except that all references to the "Corporation" in the Conflict of Interest Policy shall be amended to "Corporation, or BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC" and a portion of its "Financial Interest" definition section on page 2 shall be amended to state as follows:

**4. Financial Interest:** A Director or Family member has, directly or indirectly, a current or potential

- Ownership or investment interest in; or
- Compensation arrangement with; or
- Other economic interest in any of the following:
  - i. The Corporation; or
  - ii. BlueMountain Capital Management, LLC and or any of its owned or managed affiliates and Integrity Healthcare, LLC; or
  - iii. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC has a transaction or arrangement; or
  - iv. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC is negotiating a transaction or arrangement; or
  - v. Any entity or individual that competes with the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC.

Verity Health System of California, Inc. Board of Trustees shall provide a copy of its Conflict of Interest Policy within 90 days from the closing date of the System Restructuring and Support Agreement requiring this amendment and any further changes to this document must be approved by the Attorney General.

Verity Health System of California, Inc. shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Articles Template as Exhibit 6) and the Amended and Restated Bylaws (as set forth in the attached hereto Amended and Restated Bylaws Template as Exhibit 7) within 90 days from the closing date of the System Restructuring and Support Agreement and any further changes to these documents must be approved by the Attorney General.

If either the Verity Health System of California, Inc.'s Board of Directors or St. Francis Medical Center's Board of Trustees provides board compensation to its members other than reimbursement for travel to and from board/trustees' meetings, it is required to obtain an fair

market valuation for payment of such compensation for similarly-situated board of directors/trustees in the United States every two years.

#### **XVIII.**

There shall be no restriction or limitation on providing or making reproductive health services, including such services prohibited by the “Ethical and Religious Directives for Catholic Health Care Services” as determined by the United States Conference of Catholic Bishops, available at St. Francis Medical Center, its medical office buildings, or at any of its facilities. There shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at St. Francis Medical Center. Both of these must be explicitly set forth in St. Francis Medical Center’s written policies, adhered to, and strictly enforced.

#### **XIX.**

At least thirty days prior to the closing of the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, St. Francis Medical Center Foundation shall provide to the Attorney General’s Office an accounting of all charitable assets. Within 5 days of the Attorney General’s approval, St. Francis Medical Center Foundation shall transfer all charitable assets including, but not limited to, all temporary and permanently restricted funds to the California Community Foundation.

a) The funds from St. Francis Medical Center Foundation, if not previously restricted to support a specific charitable organization, will be deposited into the California Community Foundation’s St. Francis Medical Center Fund, and used to support nonprofit tax-exempt charitable organizations, clinics and facilities in providing healthcare services to residents of St. Francis Medical Center’s service area (30 ZIP codes), as described on page 65 in the Healthcare Impact Report authored by Medical Development Specialists, LLC, dated October 2, 2015. (Exhibit 1.) The donated funds shall be maintained and used for the purposes specified herein for a period of at least five years.

b) If there are funds from St. Francis Medical Center Foundation previously restricted to support a specific charitable organization, such funds shall be deposited into a fund or funds at California Community Foundation restricted to continuing support for such charitable organization or organizations. Such funds are protected against obsolescence. If the purposes of any restricted fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by California Community Foundation, California Community Foundation’s Board of Directors shall have the ability to modify any restriction or condition on the use such fund.

**XX.**

For eleven fiscal years from the closing date of the System Restructuring and Support Agreement, St. Francis Medical Center shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of St. Francis Medical Center and the Chief Executive Officer at St. Francis Medical Center shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the St. Francis Medical Center's Board of Directors and the Local Governing Board.

**XXI.**

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

**XXII.**

Once the System Restructuring and Support Agreement is closed, all parties listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the agreements listed in Condition II are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

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

# **EXHIBIT 1**

## ANALYSIS OF THE HOSPITAL'S SERVICE AREA

### *Service Area Definition*

Based upon the Hospital's 2014 inpatient discharges, the Hospital's service area is comprised of 30 ZIP Codes from which 80% of the Hospital's inpatient discharges came from. Approximately 49% of the Hospital's discharges originated from the top seven ZIP Codes, located in Lynwood, South Gate, Los Angeles, Bell, Compton, and Bell Gardens. In 2014, the Hospital's market share in the service area was approximately 10% based on total area discharges.

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: 2014						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
90262	Lynwood	2,372	11.9%	11.9%	6,570	36.1%
90280	South Gate	1,792	9.0%	21.0%	7,195	24.9%
90002	Los Angeles	1,328	6.7%	27.7%	5,649	23.5%
90201	Bell	1,189	6.0%	33.6%	7,683	15.5%
90221	Compton	1,152	5.8%	39.4%	5,456	21.1%
90059	Los Angeles	1,083	5.5%	44.9%	5,005	21.6%
90222	Compton	874	4.4%	49.3%	3,583	24.4%
90255	Huntington Park	873	4.4%	53.7%	6,027	14.5%
90001	Los Angeles	845	4.3%	57.9%	6,001	14.1%
90220	Compton	806	4.1%	62.0%	5,955	13.5%
90003	Los Angeles	555	2.8%	64.8%	7,920	7.0%
90044	Los Angeles	553	2.8%	67.6%	11,765	4.7%
90723	Paramount	385	1.9%	69.5%	5,023	7.7%
90061	Los Angeles	361	1.8%	71.3%	3,349	10.8%
90805	Long Beach	281	1.4%	72.8%	9,828	2.9%
90650	Norwalk	266	1.3%	74.1%	11,201	2.4%
90270	Maywood	234	1.2%	75.3%	2,349	10.0%
90242	Downey	234	1.2%	76.4%	4,034	5.8%
90706	Bellflower	226	1.1%	77.6%	7,311	3.1%
90241	Downey	186	0.9%	78.5%	4,135	4.5%
90660	Pico Rivera	83	0.4%	78.9%	6,985	1.2%
90240	Downey	76	0.4%	79.3%	1,920	4.0%
90701	Artesia	40	0.2%	79.5%	1,826	2.2%
90605	Whittier	31	0.2%	79.7%	4,007	0.8%
90670	Santa Fe Springs	27	0.1%	79.8%	1,620	1.7%
90604	Whittier	25	0.1%	79.9%	3,718	0.7%
90638	La Mirada	23	0.1%	80.1%	4,380	0.5%
90703	Cerritos	23	0.1%	80.2%	4,249	0.5%
90606	Whittier	22	0.1%	80.3%	3,470	0.6%
90603	Whittier	3	0.0%	80.3%	2,133	0.1%
<b>Subtotal</b>		<b>15,948</b>	<b>80.3%</b>	<b>80.3%</b>	<b>160,347</b>	<b>9.9%</b>
Other ZIPs		3,913	19.7%	100%		
<b>Total</b>		<b>19,861</b>	<b>100%</b>			

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

## **EXHIBIT 2**

No such patient shall be turned away because of age, race, religion, gender, sexual orientation, payment source or inability to pay.

(c) For a period of not less than five (5) years following the Effective Time, Integrity acknowledges that DCHS will maintain the existing chapels at the Hospitals to be used for the celebration of Catholic mass and other religious services, and provide an appropriately staffed and funded pastoral care service at the Hospitals.

7.7 Capital Commitment. After the Closing, DCHS shall reserve or expend the following amounts for capital expenditures in each of the successive five (5) years immediately following the Closing Date: \$40,000,000.00 in each of the first three (3) years immediately following the Closing Date, and \$30,000,000.00 in each of years 4 and 5 immediately following the Closing Date. Notwithstanding the preceding sentence, in the event that within the first five years post-Closing, one or more of the Hospitals is sold or otherwise disassociated from DCHS, any remaining annual Capital Commitments of the remaining DCHS thereafter as set forth above, shall be reduced pro-rata based on the net revenue for such sold or disassociated Hospital(s) as included in the most recently completed audited income statement.

7.8 Intellectual Property.

(a) Except as permitted under Section 6.13 of this Agreement, Integrity hereby covenants and agrees not to use the Hospital Trademarks in any manner or in any medium or form that includes or incorporates any Retained Marks (including, without limitation, the DCHS Names). Integrity further hereby covenants and agrees that all marketing and advertising using the Hospital Trademarks after the Effective Time will be in a form that integrates the use of the name "Integrity Health System, Inc." or similar branding in connection with the use of such Hospital Trademarks in such marketing or advertising materials.

(b) Except as permitted under Section 6.13, Integrity covenants not to use the Retained Marks or any marks or domain names that are confusingly similar to the Retained Marks, or any other Retained IP, in any manner and in any medium.

(c) Except as permitted under Section 6.13, Integrity shall, as of the Effective Time, (i) discontinue the use of all corporate and trade names, letterhead and business cards that contain any Retained Marks (including, without limitation, the DCHS Names), (ii) use commercially reasonable efforts to file appropriate name change amendments with the California Secretary of State, (iii) use commercially reasonable efforts to promptly replace or modify all exterior and interior fixtures that contain or comprise building signs to remove completely any Retained Marks (including, without limitation, the DCHS Names), and (iv) shall not subsequently change such names to (or otherwise use or employ) any names which contain any Retained Marks (including, without limitation, the DCHS Names).

7.9 Actions Related to Legal Opinion from Bond Counsel. BlueMountain agrees to cooperate with and provide Orrick, Herrington & Sutcliffe LLP ("*Orrick*") with all requested documentation in order to complete the opinion described in Section 8.9, including a 501(c)(3) opinion from a firm acceptable to Orrick, and BlueMountain shall obtain any valuations

## **EXHIBIT 3**



*DRAFT TEMPLATE*

***TEMPLATE FOR DIRECT HOSPITAL OR MEDICAL CENTER SUBSIDIARIES OF  
VERITY HEALTH SYSTEM, INC.***

**AMENDED AND RESTATED  
BYLAWS OF  
[NAME]  
[HOSPITAL][MEDICAL CENTER]**

Adopted \_\_\_\_\_, 2015

Table Of Contents

	Page(s)
ARTICLE I NAME.....	1
ARTICLE II DEFINITIONS .....	1
ARTICLE III PURPOSES .....	2
ARTICLE IV OFFICES AND SEAL.....	2
ARTICLE V CORPORATE MEMBERSHIP .....	2
ARTICLE VI BOARD OF DIRECTORS .....	4
ARTICLE VII MEETINGS OF THE BOARD OF DIRECTORS.....	7
ARTICLE VIII CORPORATE OFFICERS .....	9
ARTICLE IX COMMITTEES .....	10
ARTICLE X MEDICAL STAFF.....	12
ARTICLE XI GENERAL PROVISIONS .....	18
ARTICLE XII INDEMNIFICATION AND INSURANCE.....	19
ARTICLE XIII MAINTAINING A UNIFIED HEALTH SYSTEM.....	20
ARTICLE XIV GENDER AND NUMBER.....	21
ARTICLE XV AMENDMENTS.....	18

AMENDED AND RESTATED  
BYLAWS OF  
[NAME]  
[HOSPITAL][MEDICAL CENTER]

ARTICLE I

NAME

The name of this Corporation shall be as set forth in its Articles of Incorporation.

ARTICLE II

DEFINITIONS

Section 1. Definitions. These Bylaws contain the terms “Affiliate” and “Health System.” These terms are also used in the bylaws of other entities comprising the Health System. For purposes of continuity, when used in these Bylaws, such terms shall be interpreted to give full effect to the intent of Article XIII of these Bylaws.

(a) Affiliate. The term “Affiliate” shall mean, individually, each organization that is controlled, directly or indirectly, by Verity Health System of California, Inc., a California nonprofit public benefit corporation (“Verity”), or by another organization controlled by Verity. As used in this definition, “control” shall mean (a) the status of sole corporate member of an organization; or (b) the authority to appoint, elect or approve at least a majority of the governing body of an organization.

(b) Corporate Member. The term “Corporate Member” shall mean Verity.

(c) Corporation. The term “Corporation” shall mean [NAME] Medical Center.

(d) Health System. The term “Health System” shall mean, collectively, Verity, this Corporation and the Affiliates of Verity and the Corporation.

(e) Subsidiary. “Subsidiary” shall mean an Affiliate that is under the direct control of another Affiliate.

(f) System Authority Matrix. The term “System Authority Matrix” shall mean the document as in effect from time to time which sets forth the respective responsibilities and authorities for Health System operations and decision making.

Section 2. Other Capitalized Terms. Capitalized terms used in these Bylaws and not otherwise defined herein are used herein with the meanings given them in the California Nonprofit Corporation Law.

### ARTICLE III

#### PURPOSES

Section 1. Purposes. The purposes of this Corporation are set out in its Articles of Incorporation as in effect from time to time.

### ARTICLE IV

#### OFFICES AND SEAL

Section 1. Principal Office. The principal office of this Corporation shall be in the County of [County], State of California.

Section 2. Seal. This Corporation may have a common seal inscribed with the name of this Corporation.

### ARTICLE V

#### CORPORATE MEMBERSHIP

Section 1. Corporate Membership. The sole member of this Corporation is Verity, acting through its Board of Directors or otherwise as provided in Article XIII, Section 2 of these Bylaws or the California Nonprofit Corporation Law.

Section 2. Rights and Powers of the Corporate Member. As the sole member of this Corporation under the California Nonprofit Corporation Law, the Corporate Member has all corresponding statutory rights and powers of membership. In addition, the Corporate Member has the power (which are termed the "Reserved Powers" of the Corporate Member) to take or approve the following actions:

- (a) Approve or change the mission, role and purpose of this Corporation;
- (b) Amend the Bylaws and Articles of Incorporation of this Corporation;
- (c) Authorize the Board of Directors to amend the bylaws, articles of incorporation or other organizational documents of any Affiliate;
- (d) Approve the formation, merger, dissolution, consolidation, divestiture, closure, change in corporate membership or control and reorganization of each direct Affiliate of this Corporation;
- (e) Fix the number and appoint and remove the Directors of this Corporation;

(f) Appoint and remove the Chairperson of the Board and the President and Chief Executive Officer of this Corporation and of each direct Affiliate or Subsidiary of this Corporation;

(g) Approve the merger, consolidation, reorganization or dissolution of this Corporation and the disposition of the assets of this Corporation upon dissolution;

(h) Approve the acquisition, sale, lease, mortgage, transfer or other alienation of real or personal property of this Corporation other than in accordance with the System Authority Matrix;

(i) Approve the capital and operating budgets of this Corporation or of any Affiliate controlled by this Corporation;

(j) Approve the incurrence of debt or guaranties of this Corporation other than in accordance with the System Authority Matrix;

(k) Establish policy concerning quality of care and services for the Corporation and to approve any such policies of this Corporation that are inconsistent with the System Authority Matrix;

(l) Establish policy and procedures concerning finance and resources for the Corporation and to approve any such policies or procedures that are inconsistent with such policies or procedures;

(m) Establish criteria for the long-range financial and strategic plans of the Corporation and to approve any such plans;

(n) Establish an internal auditing program and approve any material element of the internal auditing program for this Corporation that is inconsistent with the internal auditing program established by the Corporate Member;

(o) Approve capital expenditures by this Corporation or for any Affiliate controlled by this Corporation other than in accordance with the System Authority Matrix;

(p) Approve the transfer of funds, by gift or loan, between this Corporation and one or more other Affiliates of Verity and this Corporation or to any other person or entity other than in accordance with System Authority Matrix; and

(q) Approve any other action by this Corporation or for any Affiliate controlled by this Corporation that has been established by resolution of the Corporate Member as requiring its approval, including, but not limited to, any approvals of authority necessary to ensure compliance with any credit agreement, master indenture or loan agreement to which this Corporation or any Affiliate controlled by this Corporation is a party.

Section 3. Voting By Proxy. The Corporate Member may not vote by proxy.

Section 4. Appointment of Officer or Director or Others to Act on Behalf of Corporate Member. Subject to applicable law and the articles of incorporation and bylaws of the Corporate Member, the Corporate Member's board of directors may, by resolution, appoint one or more officers or directors of the Corporate Member or one or more other persons to act on its behalf, in its capacity as Corporate Member of this Corporation.

Section 5. Annual Meeting. A meeting of the Corporate Member shall be held annually for the purpose of appointing directors and to transact such other business as may be brought before such meeting. The annual meeting of the Corporate Member shall be held at such time and place as the board of directors of the Corporate Member determine from time to time.

Section 6. Action by Written Consent. Any action required or permitted to be taken at a meeting (whether annual, regular or special) by the Corporate Member under any provision of law, the Articles of Incorporation or these Bylaws may be taken without a meeting if the Corporate Member consents to such action in writing. Each such written consent shall be filed with the minutes of the proceedings of the Corporation. Such action by written consent shall have the same force and effect as a vote of the Corporate Member. Any certificate or other document filed on behalf of this Corporation relating to an action taken by the Corporate Member without a meeting shall state that the action was taken by written consent of the Corporate Member without a meeting and that the Bylaws of the Corporation authorize the Corporate Member to so act.

## ARTICLE VI

### BOARD OF DIRECTORS

Section 1. Powers. Subject to the provisions of this Corporation's Articles of Incorporation, these Bylaws, the Reserved Powers of the Corporate Member, the System Authority Matrix and the laws of the State of California, the activities and affairs of this Corporation shall be managed and conducted and all corporate powers shall be exercised by or under the direction of this Corporation's Board of Directors. To facilitate the management and conduct of this Corporation's activities and affairs, the Board of Directors shall establish corporate policies for, and formulate the basic rules and regulations governing the operation and management of, this Corporation and generally oversee and be responsible for the quality of care and the planning of services rendered by this Corporation. The Board of Directors may delegate the management and conduct of this Corporation's activities and affairs to any person or persons, management company, or committee however composed, provided that no delegation of authority by the Board of Directors to the Chief Executive Officer (as defined in Article VIII, Section 4 below), or anyone else, shall preclude the Board of Directors from exercising the authority required to meet its governance responsibility for the management and conduct of this Corporation's activities and affairs; and provided, further, that any delegation of powers of the Board may be made only to a committee of the Board consisting only of directors and shall be subject to the further limitations on Board committees set forth in Article IX, Section 1 of these Bylaws. The Board of Directors shall retain the right to rescind any such delegation.

Section 2. Reserved Powers of Verity as the Corporate Member; Final Action. Certain actions of the Board of Directors are subject to the Reserved Powers of Verity, acting in

its capacity as the Corporate Member of this Corporation, as set forth above in Article V of these Bylaws. Action by the Board of Directors of this Corporation that is subject to the approval of the Corporate Member pursuant to the Reserved Powers of the Corporate Member shall become final, binding action of the Corporation when such action has been approved or ratified by final action of the Corporate Member acting in accordance with these Bylaws and the bylaws of the Corporate Member.

Section 3. Number and Qualification.

(a) The Board of Directors shall consist of not less than three (3) nor more than seventeen (17) members, including at least one (1) person who is a member in good standing of the Board of Directors of Verity.

(b) The President and Chief Executive Officer of the Corporate Member shall serve as a member of the Board, *ex officio*.

(c) Restriction on Interested Directors. Not more than forty-nine percent (49%) of the persons serving on the Board of Directors at any time may be interested persons within the meaning of Section 5227 of the California Nonprofit Public Benefit Corporation Law. An interested person is (i) any person currently being compensated by this Corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor or otherwise, but excluding any reasonable compensation paid to a Director as Director; or (ii) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of any such person. However, any violation of the provision of this Section shall not affect the validity or enforceability of any transaction entered into by this Corporation.

Section 4. Appointment by Corporate Member. The Directors shall be appointed by Verity at each annual meeting of the Corporate Member.

Section 5. Term. Each Director (other than the President and Chief Executive Officer of the Corporate Member) shall hold office for a term of one (1) year or such other period set by the Corporate Member or until a successor is appointed and qualified or until such person sooner dies, resigns, is removed or becomes disqualified.

Section 6. Removal and Filling of Vacancies. The Board of Directors may declare vacant the office of a Director who has been declared of unsound mind by a final order of court or convicted of a felony or who has missed more than half of the meetings of the Board of Directors during any twelve-month period other than by reason of illness, or who has been found, by a final order or judgment of any court, to be in breach of any duty owed to the Corporation under Sections 5230-5239 of the California Nonprofit Public Benefit Corporation Law. In the event that such office is declared vacant, a new Director to fill the unexpired portion of the term of the Director whose office was declared vacant shall be appointed by the Corporate Member.

Section 7. Resignation. Any Director may resign at any time by delivering her or his resignation in writing to the Chairperson of the Board of Directors, the President or the Secretary or to the Board of Directors of the Corporation at its principal office; provided that, except upon

notice to the Attorney General, no director may resign if the Corporation would then be left without a duly elected Director or Directors in charge of its affairs. Such resignation shall be effective upon receipt unless specified to be effective at some other time.

Section 8. Fees and Compensation. Directors may receive such reasonable compensation (within the meaning of Internal Revenue Code Section 4958), if any, for serving as Director, and advances or reimbursement for reasonable expenses, as may be fixed or determined by the Corporate Member. Directors may receive compensation from the corporation for services rendered to it, subject to the restriction on interested Directors as set forth in Section 3(c) above of this Article VI.

Section 9. Self-Dealing Transactions. This Corporation shall not enter into self-dealing transactions. Except as provided in Section 9(a) of this Article VI, for the purpose of this Section, a self-dealing transaction means a transaction to which this corporation is a party and in which one or more of the members of its Board of Directors or officers has a material financial interest and which does not meet the requirements of Sections 9(b) or 9(c) of this Article VI. Such a member of the Board of Directors is an "interested director" for the purpose of this Section.

(a) Exceptions. The provisions of this section do not apply to any of the following:

(i) An action of the Board of Directors fixing the compensation of a member of the Board of Directors as an officer of this corporation.

(ii) A transaction which is part of a public or charitable program of this corporation if it (i) is approved or authorized by this corporation in good faith and without unjustified favoritism and (ii) results in a benefit to one or more members of the Board of Directors or their families because they are in the class of persons intended to be benefited by the public or charitable program.

(iii) A transaction, of which the interested director or directors have no actual knowledge, and which does not exceed the lesser of one percent of the gross receipts of this corporation for the preceding fiscal year or one hundred thousand dollars (\$100,000).

(b) Prior Board of Directors Approval. This Corporation may enter into a self-dealing transaction if all of the following facts are established:

(i) This Corporation entered into the transaction for its own benefit;

(ii) The transaction was fair and reasonable as to this Corporation at the time this Corporation entered into the transaction;

(iii) Prior to consummating the transaction or any part thereof the Board of Directors authorized or approved the transaction in good faith by a vote of a majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors, and with knowledge of the material facts concerning the transaction and the director's interest in the transaction. Interested directors may be counted in determining the



presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction. Except as provided in Section 9(c)(i) of this Article VI, action by a committee of the Board of Directors shall not satisfy this paragraph; and

(iv) Prior to authorizing or approving the transaction the Board of Directors considered and in good faith determined after reasonable investigation under the circumstances that this corporation could not have obtained a more advantageous arrangement with reasonable effort under the circumstances or (ii) this corporation in fact could not have obtained a more advantageous arrangement with reasonable effort under the circumstances.

(c) Subsequent Board of Directors Approval. This Corporation may enter into a self-dealing transaction if all of the following facts are established:

(i) A committee or person authorized by the Board of Directors approved the transaction in a manner consistent with the standards set forth in Section 9(b) of this Article VI;

(ii) It was not reasonably practicable to obtain approval of the Board of Directors prior to entering into the transaction; and

(iii) The Board of Directors, after determining in good faith that the conditions of subparagraphs (i) and (ii) of this subsection (c) were satisfied, ratified the transaction at its next meeting by a vote of the majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction.

## ARTICLE VII

### MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Place of Meeting. All meetings of the Board of Directors shall be held at the principal office of this Corporation or at such other place as may be designated for that purpose in the notice of the meeting or, if not stated in the notice or there is no notice, at such place as may be set by resolution of the Board.

Section 2. Annual Meeting. As soon as reasonably practicable, but no later than sixty (60) days after the annual meeting of the Corporate Member, the Board of Directors shall hold an annual meeting for the purpose of organizing the Board, electing the officers and the transaction of such other business as may come before the meeting. The date of the annual meeting shall be fixed by resolution. No notice of the annual meeting of the Board of Directors need be given.

Section 3. Regular Meetings. Regular meetings of the Board of Directors shall be held at such time as the Corporate Member may fix by resolution from time to time. No notice of regular meetings of the Board of Directors need be given.

Section 4. Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairperson of the Board or by two (2) or more Directors of this Corporation, or by the Corporate Member.

Section 5. Notice of Special Meetings. Notice of the time and place of special meetings shall be communicated personally or by telephone to each Director or sent to each Director by mail or other form of written communication (including e-mail), addressed to such Director at her or his address as it is shown on the records of this Corporation. Such notice, if mailed, shall be mailed at least seventy-two (72) hours prior to the time of the meeting, or if delivered personally, telephonically or telegraphically or by e-mail, shall be received at least forty-eight (48) hours prior to the time of the meeting.

Section 6. Waiver of Notice. Notice of a meeting need not be given to any Director who signs a waiver of notice or a written consent to hold the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 7. Quorum. At all meetings of the Board of Directors, a majority of the then serving Directors, but not less than two (2), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of the Directors present, whether or not a quorum, may adjourn any Directors meeting to another time and place. The act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, unless a greater number is required by law. Notwithstanding the previous provisions of this Section, the Directors present at a meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, so long as any action taken is approved by at least a majority of the required quorum for such meeting.

Section 8. Action Without Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all of the Directors individually or collectively shall consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as the unanimous vote of such Directors. Any certificate or other document filed on behalf of this Corporation relating to an action taken by the Board without a meeting shall state that the action was taken by written consent of the Board of Directors without a meeting and that the Bylaws of the Corporation authorize its Directors to so act.

Section 9. Telephonic Meeting. Directors may participate in a meeting of the Board through the use of conference telephone or similar communication equipment, as long as all Directors participating in such meeting can hear one another. Participation in this manner shall constitute presence in person at such meeting.

Section 10. Prohibition Against Voting by Proxy. Directors may not vote by proxy.

## ARTICLE VIII

### CORPORATE OFFICERS

#### Section 1. Officers.

(a) The officers of this Corporation shall include a Chairperson of the Board, a Vice Chairperson of the Board, a President and Chief Executive Officer ("CEO"), a Chief Financial Officer ("CFO"), a Secretary and a Chief Medical Officer ("CMO"), all of whom shall be selected in accordance with the provisions of this Article VIII. Neither the Chairperson of the Board nor the President/CEO may serve concurrently as the Secretary or CFO of this Corporation.

(b) The officers of this Corporation shall be appointed by the Corporate Member. Each shall hold office until her or his resignation or removal, other disqualification to serve or until her or his successor shall be elected and qualified.

(c) The Board of Directors may appoint such additional officers from among the members of the Board of Directors (including, for example, one (1) or more assistant Secretaries), as the business of this Corporation may require, each of whom shall serve for such period, have such authority and perform such duties as the Board of Directors from time to time may authorize.

Section 2. Removal of Officers. Any officer, other than the Chairperson of the Board, the President and CEO, the CFO and the CMO, may be removed, with or without cause, by a majority of Directors then in office, at any regular or special meeting of the Board. The Chairperson of the Board may be removed, with or without cause, only by the Corporate Member, and the President/CEO may be removed, with or without cause, only by the Corporate Member after consultation with the Board of Directors of this Corporation and the President/CEO of the Corporate Member. The CMO may be removed, with or without cause, only by the President/CEO of this Corporation with the concurrence of the President/CEO of the Corporate Member after consultation with the Board of Directors of this Corporation. The CFO may be removed, with or without cause, only by the President/CEO of this Corporation with the concurrence of the Chief Financial Officer of the Corporate Member after consultation with the Board of Directors of this Corporation. If a vacancy occurs in any office as a result of death, resignation, removal, disqualification or any other cause, the Board of Directors may delegate the powers and duties of such, office, except as otherwise provided in these Bylaws, to any officer or to any Director until such time as a successor for such office has been appointed. Any officer who is also a Director shall be automatically removed as such an officer upon her or his removal as a Director in accordance with the provisions of Article VI, Section 6 of these Bylaws.

Section 3. Chairperson of the Board. The Chairperson of the Board shall be appointed by the Corporate Member in connection with the appointment of the Directors. The Chairperson of the Board shall have the powers and duties usually associated with such office. The Chairperson of the Board shall preside over meetings of the Board of Directors, supervise activities of the Board, and serve as an ex officio voting member of all Board committees.

Section 4. President and Chief Executive Officer. The President/CEO shall be the chief executive officer of this Corporation, shall be an employee of Verity, and shall serve as a member of the Verity executive team. The President/CEO shall be appointed by the Corporate Member after consultation with this Corporation's Board of Directors and the President/CEO of the Corporate Member. He or she shall serve such term as may be determined by the Board of Directors. He or she shall report to and be accountable to this Corporation's Board of Directors and to the President/CEO of the Corporate Member and shall have general supervision, direction and control of the business, employees and independent contractors of this Corporation and shall be held responsible for the proper functioning and management of this Corporation. The President/CEO shall possess the degree of education and experience appropriate to the proper discharge of these responsibilities and, if a management or employment agreement may be in effect, meet all of the requirements set forth in the management or employment agreement. The President/CEO may sign, with the Secretary or any other officer of this Corporation as authorized by this Corporation's Board of Directors, any instrument which this Corporation's Board of Directors has authorized to be executed. The Chairperson of the Board of this Corporation and the President/CEO of the Corporate Member shall initiate and conduct periodic performance reviews of the President/CEO of this Corporation, taking into account the advice and comments of this Corporation's Board of Directors. Subject to the control of this Corporation's Board of Directors and the direction of the Corporate Member, the President/CEO shall organize the administrative functions of this Corporation, delegate duties and establish formal means of accountability on the part of her or his subordinate officers. The President/CEO shall have the general powers and duties of management usually vested in the chief executive officer under the California Nonprofit Public Benefit Corporation Law and shall have other powers and duties as may be prescribed by this Corporation's Board of Directors, these Bylaws, and the policies of the Corporate Member.

Section 5. Vice Chairperson of the Board. The Vice Chairperson of the Board shall be elected from among the Directors and, in the absence or disability of the Chairperson of the Board, shall perform all duties of the Chairperson of the Board and, when so acting, shall have all powers of and be subject to all restrictions upon the Chairperson of the Board. In the absence of both the Chairperson of the Board and the Vice Chairperson of the Board, the Board shall select one of its members, other than the Secretary or CFO, to act as Chairperson of the Board.

Section 6. Secretary. The Secretary shall be appointed initially by the Corporate Member and thereafter shall be elected from among the Directors and shall keep or cause to be kept at the principal office or at such other place as the Board of Directors may determine, a book of minutes of all meetings of the Directors, whether annual, regular or special, with the time and place of the meeting, the notice given, the names of those present at the meeting, the proceedings thereat and, if a special meeting, how it was authorized. The Secretary shall give or cause to be given notice of all meetings of the Board of Directors required by these Bylaws or by law. The Secretary shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

Section 7. Chief Financial Officer. The CFO shall and according to the direction of the Board of Directors and the President/CEO, keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of this Corporation, including accounts of its assets, liabilities, receipts,

disbursements, gains, losses and capital. The CFO shall deposit all monies and other valuables in the name and to the credit of this Corporation with such depositories as may be designated by the Board of Directors. The CFO shall disburse the funds of this Corporation as may be ordered by the Board of Directors, shall render to the President/CEO, the Directors or the Chief Financial Officer of the Corporate Member, whenever they request it, an account of all transactions and of the financial condition of this Corporation, and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws. The CFO shall be appointed by and subject to removal by the President/CEO of this Corporation as a corporate employee with the concurrence of the Chief Financial Officer of the Corporate Member after consultation with the Board of Directors of this Corporation. He or she shall serve such term as may be determined by the Board of Directors. He or she shall report to and be accountable to the President/CEO of this Corporation and the Chief Financial Officer of the Corporate Member.

Section 8. Chief Medical Officer. The CMO shall have administrative oversight over the clinical programs and related activities of each chapter of this Corporation. The CMO shall manage physician relationships and clinical provider staff, including the provision of physician support services, the conduct of physician outreach activities and this Corporation's participation in education and research activities. In addition, the CMO shall coordinate clinical quality standards. The CMO shall be appointed by and shall be subject to removal by the President/CEO of this Corporation with the concurrence of the President/CEO of the Corporate Member after consultation with the Board of Directors of this Corporation, and shall report to and be accountable to the Board of Directors of this Corporation and to the President/CEO of this Corporation and the President/CEO of the Corporate Member.

Section 9. Reporting Relationship of Certain Corporate Officers to the Board of Directors. Persons serving from time to time in the positions of Corporate Responsibility Officer and Vice President and General Counsel shall report to and be accountable to the Board of Directors and the President/CEO and each of them shall be entitled to confidential access to the Chairperson and other members of the Board of Directors as necessary or advisable to carry out such person's duties in such position.

Section 10. Resignation. Any officer may resign at any time by giving written notice to this Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation is without prejudice to the rights, if any, of this Corporation under any contract to which the officer is a party.

Section 11. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

## ARTICLE IX

### COMMITTEES

#### Section 1. Generally.

(a) The Board of Directors may by resolution establish (1) Committees of the Board which shall have legal authority to act for this Corporation, subject to the authority of any Health System-wide committees appointed by Verity, and (2) Advisory Committees. Committees may be either standing or special. Members of all committees shall serve at the pleasure of the Board. Any Committee of the Board which shall have legal authority to act for this Corporation, to the extent provided in a resolution of the Board adopted by a majority of the Directors then in office, shall have all authority of the Board, except with respect to:

- (i) The approval of any action for which the California Nonprofit Public Benefit Corporation Law or these Bylaws also require approval of the Corporate Member, or a majority of this Corporation's Board of Directors;
- (ii) The filling of vacancies on the Board of Directors or on any committee that has the authority of the Board;
- (iii) The amendment or repeal of any resolution of the Board of Directors that by its express terms is not so amendable or repealable;
- (iv) The appointment of other Committees of the Board or members thereof; or
- (v) The approval of any self-dealing transaction, except as provided in Section 5233(d)(3) of the California Nonprofit Public Benefit Corporation Law.

(b) The Board of Directors shall have the power to prescribe the manner in which proceedings of any committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless these Bylaws, the Board or such committee shall otherwise provide, the regular and special meetings and other actions of any committee shall be governed by the provisions of Article VII of these Bylaws. Each committee shall keep minutes of its proceedings and shall report the same to the Board from time to time, as the Board of Directors may require. The Board of Directors shall review the charter of each committee governed by a charter at least once every two years.

Section 2. Committees of the Board. Only Directors may be appointed as members of Committees of the Board. Each Committee of the Board shall consist of two or more Directors. The Chairperson and members of Committees of the Board shall be appointed by the Board of Directors by resolution adopted by a majority of the Directors then in office. The Board may

designate one or more Directors as alternate members of any such committee, who may replace any absent member at any meeting of the committee.

Section 3. Advisory Committees. Advisory Committees may consist of two or more persons and may consist of Directors only, Directors and non-Directors, or non-Directors only, and may include non-voting members and alternate members. The Chairperson and members of Advisory Committees shall be appointed by the Chairperson of the Board or the Board of Directors. Advisory Committees shall have no legal authority to act for this Corporation.

Section 4. Executive Committee.

(a) There may be an Executive Committee which, if established, shall consist of some such members of the Board of Directors as the Board may designate. The Chairperson of the Executive Committee shall be the person then serving as Chairperson of the Board. The Executive Committee shall have authority to act for this Corporation, subject to the provisions of Section 1 of this Article.

(b) The establishment of an Executive Committee and the delegation of authority to it shall not operate to relieve the Board of Directors or any individual Director of any responsibility imposed on it or him or her by law, by the Articles of Incorporation of this Corporation or these Bylaws.

(c) The Executive Committee shall meet at such times as it deems necessary, provided that reasonable notice of all meetings of the Executive Committee shall be given to its members and no act of the Executive Committee shall be valid unless approved by the vote of a majority, or by the unanimous written consent, of its members.

Section 5. Finance Committee. The Finance Committee shall be an Advisory Committee and shall operate in accordance with a charter adopted by the Board of Directors as in effect from time to time. It shall consist of not fewer than four members, all of whom shall be or shall be capable of becoming familiar with basic financial statements and accounting principles, and all of whom shall be deemed by the Board of Directors to be free of any relationship that would interfere with independent judgment. The members of the Committee shall include the President and Chief Executive Officer of the Corporation, the Treasurer of the Corporation, the Chief Financial Officer of the Corporate Member, and at least one other person who is not an officer of the Corporation. The Committee shall have general surveillance over the finances of the Corporation, shall approve the annual budget of and any financial statements prepared by the Corporation, and shall make regular reports and recommendations to the Board of Directors. If there is no separate Audit Committee, the Finance Committee shall be responsible for performing the functions of the Audit Committee as set forth in these Bylaws.

Section 6. Audit Committee. The Audit Committee shall be an Advisory Committee and shall operate in accordance with a charter adopted by the Board of Directors as in effect from time to time. It shall consist of not fewer than three members, all of whom shall be or shall be capable of becoming familiar with basic financial statements and accounting principles, and all of whom shall be deemed by the Board of Directors to be free of any relationship that would

interfere with independent judgment. The Committee shall meet quarterly, and shall meet at least annually with the outside auditor or auditors of the Corporation in the absence of all members who are employees of the Corporation or any Affiliate controlled by the Corporation. The Committee shall have general surveillance over the auditing of the financial records of the Corporation, shall approve the financial statements prepared by the Corporation, and shall make regular reports and recommendations to the Board of Directors, all subject to the authority of the audit committee of Verity or any Health System-wide audit committee that may be established by Verity from time-to-time.

Section 7. Quality and Patient Safety Committee. The Quality and Patient Safety Committee shall be an Advisory Committee and shall operate in accordance with a charter adopted by the Board of Directors as in effect from time to time. The Quality and Patient Safety Committee shall consist of not fewer than three members, all of whom shall be or shall be capable of becoming familiar with basic issues and requirements affecting the quality performance of acute-care hospitals. At least one member of the Committee shall be a Director, and at least one shall be the Chief Medical Officer of the Corporation or, if none exists, the Chief of Staff or other senior physician practicing in a facility affiliated with the Corporation, appointed by the Board of Directors, and the President and Chief Executive Officer of the Corporation and the Vice President of Quality of the Corporate Member shall be each a member ex officio with vote. The Quality and Patient Safety Committee shall meet a minimum of six times a year, shall present regular reports to the Board of Directors and shall oversee the establishment and implementation of an ongoing quality assurance program in accordance with its charter, including, for example and without limitation: review of reports from the administration and the medical staff of the Corporation addressing quality performance, assessment of the impact of the Committee's oversight on quality performance, review of information regarding patient experience; evaluation of the adequacy of resources allocated to quality improvement, and monitoring of participation in national quality improvement efforts.

Section 8. Term of Office. The Chairperson and each member of a standing committee shall serve until the next election of Directors and until his or her successor is appointed or until such committee is sooner terminated or until he or she is removed, resigns or otherwise ceases to qualify as a member of the committee. The Chairperson and each member of a special committee shall serve for the life of the committee unless they are sooner removed, resign or cease to qualify as members of such committee.

Section 9. Vacancies. Vacancies on any committee may be filled for the unexpired portion of the term in the same manner as provided in the case of original appointments.

Section 10. Quorum. At all committee meetings, a majority of committee members then serving, but not less than two (2), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of committee members present, whether or not a quorum, may adjourn any committee meeting to another time and place. The act of a majority of the committee members present at a meeting at which there is a quorum shall be the act of the committee. Notwithstanding previous provisions of this Section, the committee members present at a meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of committee members, so long as any action taken is approved by at least a majority of the required quorum for such meeting.



## ARTICLE X

### MEDICAL STAFF

#### Section 1. Organization, Appointments and Hearings.

(a) The Corporation shall maintain an organized medical staff that is accountable to the Board of Directors. The Board of Directors shall have the ultimate authority and responsibility for the oversight and delivery of health care rendered by all licensed independent practitioners and other practitioners granted practice privileges at health facilities licensed in the name of this Corporation. The Board of Directors shall organize the physicians, dentists, podiatrists and such other categories as may be permitted by law and granted practice privileges at health facilities licensed in the name of this Corporation into one or more staffs ("Medical Staff") under Medical Staff bylaws approved by the Board of Directors. The Board of Directors shall also make provision for credentialing and privileging through the medical staff process of such categories of licensed independent practitioners and other practitioners as the Board of Directors may authorize under Medical Staff bylaws approved by the Board of Directors) the "Allied Health Professional Staff"). The Board of Directors shall consider recommendations of the Medical Staff and appoint to the Medical Staff and the Allied Health Professional Staff such practitioners as meet the qualifications for membership and privileges set forth in the Medical Staff bylaws. Only members of the Medical Staff may admit patients. Each member of the Medical Staff and the Allied Health Professional Staff shall have appropriate authority and responsibility for the care of her or his patients, subject to the limits of her or his licensure and privileges, as delineated by the Board of Directors, and subject to such limits as are contained in these Bylaws and in the Bylaws, Rules and Regulations of the Medical Staff.

(b) All applications for appointment to the Medical Staff and the Allied Health Professional Staff shall be in writing and addressed to the Medical Staff secretary. They shall contain full information concerning the applicant's education, licensure, practice, previous hospital experience and any history with regard to licensure and hospital privileges.

(c) All appointments to the Medical Staff and the Allied Health Professional Staff shall be for a maximum period of two (2) years, renewable by the Board of Directors upon re-application. When an appointment is denied or not renewed, or when privileges have been or are proposed to be denied, reduced, suspended or terminated, the affected practitioner shall be afforded a fair hearing and review conducted in accordance with the hearing and appeal provisions of the Medical Staff bylaws.

(d) Liaison among the Board, Administration, the Medical Staff and the Allied Health Professional Staff shall be accomplished as determined by the Board of Directors from time to time.

#### Section 2. Medical Care and Evaluation.

(a) The Medical Staff shall be responsible to the Board of Directors for providing appropriate professional care to patients and for overseeing the quality of care, treatment and services delivered by the Medical Staff and the Allied Health Professional Staff,

evaluating the competency of practitioners, delineating the privileges of members of the Medical Staff and the Allied Health Professional Staff, and providing leadership in performance improvement activities of the Corporation.

(b) The Board of Directors, in the exercise of its responsibility to establish, maintain and support an ongoing performance improvement program, shall delegate to the Medical Staff initial authority for assuring appropriate professional care by members of the Medical Staff to patients. The Medical Staff shall discharge this responsibility through a continuing review, analysis, and appraisal of the quality of care provided by members of the Medical Staff and the Allied Health Professional Staff and an appropriate response to findings. Such performance improvement activities shall be regularly reported, together with their results and recommended responses, to the Board of Directors.

(c) The Medical Staff and the Allied Health Professional Staff shall maintain adequate and accurate medical records for all patients.

(d) The Medical Staff shall make recommendations to the Board of Directors concerning:

- (i) Appointments; re-appointments and alterations to Medical Staff and Allied Health Professional Staff status;
- (ii) Granting, revocation and alteration of privileges;
- (iii) Corrective and disciplinary actions;
- (iv) All matters relating to professional competency; and
- (v) Such specific matters as may be referred to it by the Board of Directors.

### Section 3. Medical Staff Bylaws.

(a) There shall be Bylaws, Rules and Regulations for the Medical Staff setting forth its organization and government. Proposed Medical Staff bylaws, rules and regulations shall be recommended and approved by the Medical Staff and shall become effective only upon their approval by the Board of Directors, which approval shall not be unreasonably withheld.

(b) The Medical Staff Bylaws shall include procedures for:

- (i) written, well-defined criteria for appointment, precluding the possibility of discrimination according to color, national origin, race, creed, sex or age;
- (ii) appointment, reappointment, delineation of privileges, curtailment and revocation of privileges;

- (iii) an appeals mechanism for review of decisions to deny, curtail or revoke privileges;
  - (iv) a performance improvement program by which patient care is regularly evaluated and verification of this evaluation and of responsive actions taken is provided to the Board of Directors;
  - (v) attestation by signature of each practitioner that he or she will abide by the Medical Staff Bylaws, Rules and Regulations and the policies of the Corporation and Health System;
  - (vi) communication between the Board of Directors and the Medical Staff through the Executive Committee of the Medical Staff;
  - (vii) requiring that only a licensed practitioner with clinical privileges shall be directly responsible for a patient's diagnosis and treatment within the area of such practitioner's privileges; each patient's general medical condition shall be the responsibility of a physician member of the Medical Staff; each patient admitted shall receive a baseline history and physical examination by a physician or other licensee who has the requisite privileges; a physician member of the Medical Staff shall be responsible for the care of any medical problems that may be present at the time of admission or that may arise during hospitalization;
  - (viii) the selection and appointment of officers of the Medical Staff and of Medical Staff department chairpersons, all of whom shall be subject to approval of the Board of Directors;
  - (ix) restricting membership in the Medical Staff to physicians, dentists, podiatrists and, when authorized, clinical psychologists, and membership in the Allied Health Professional Staff to licensed independent practitioners in categories approved for privileges who are competent in their respective fields, worthy in character and in professional ethics; and
  - (x) maintaining self-government by the Medical Staff with respect to the professional work performed at the Corporation and periodic meetings of the Medical Staff to review and analyze clinical experience at regular intervals, with patient medical records as the basis for such review and analysis.
- (c) The Medical Staff Bylaws shall provide that:
- (i) there shall be no discrimination with respect to Medical Staff privileges or the provision of professional services against a licensed physician on the basis of whether that physician holds an M.D. or a D.O. degree; and

- (ii) whenever staffing requirements for a service mandate that the physician responsible for the service be certified or eligible for certification by an appropriate American Medical board, such position may be filled by an osteopathic physician who is certified or eligible for certification by the equivalent appropriate American osteopathic board.

Section 4. Medico-Administrative Personnel. Except as specified in written requirements for such positions, physicians and specified professional personnel engaged by this Corporation either full time or part time as employees or independent contractors in any medico-administrative positions, shall not be required to maintain membership on the Medical Staff Members of the Medical Staff in medico-administrative positions may be terminated from their contractual relationship with this Corporation according to corporate policy or according to the terms of their contracts.

## ARTICLE XI

### GENERAL PROVISIONS

Section 1. Voting Interests. Subject to the limitations of Article VI, Section 2 of these Bylaws (Reserved Powers of the Corporate Member), the Corporation may vote any and all shares or other voting securities held by it in any other corporation or other entity and may exercise any and all membership rights held by it in any other corporation. Such action shall be undertaken or evidenced on behalf of this Corporation by such officer, agent or proxy as the Board of Directors may appoint or, in the absence of any such appointment, by the Chairperson of the Board or by an officer who is also a Director and, in such case, such person may likewise appoint a proxy to vote such securities.

Section 2. Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to this Corporation and any and all securities owned or held by this Corporation requiring signature for transfer shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by the Board of Directors.

Section 3. Execution of Contracts. Except as otherwise provided in these Bylaws, and subject to the System Authority Matrix, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute any instrument in the name of and on behalf of this Corporation and such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind this Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 4. Inspection of Corporate Records. The accounting books and records of this Corporation, the minutes of proceedings of this Corporation's Board of Directors and Committees, and the minutes of proceedings of the Corporate Member acting in its capacity as member of this Corporation shall be open to inspection upon the written request by the Corporate Member or any Director at any reasonable time and for any purpose reasonably related to the

interests of the Corporate Member, or the Director, as applicable. Such inspection may be made in person or by an agent or attorney.

Section 5. Annual Report. The Board of Directors shall cause an annual report to be sent to each Director of this Corporation and to the Corporate Member, no later than one hundred twenty (120) days after the close of this Corporation's fiscal or calendar year. Such annual report shall be prepared in conformity with requirements of the California Nonprofit Corporation Law.

Section 6. Fiscal Year. The fiscal year of this Corporation shall begin on the first day of July each year and end on June 30th of the following year.

Section 7. Review of Bylaws. At least once every two (2) years, the Board of Directors shall review, or delegate to an appropriate committee the review of, these Bylaws and recommend revisions to the Corporate Member as necessary to assure their compliance with all relevant requirements for licensure and accreditation of the health care facilities of the Corporation by state agencies and The Joint Commission, respectively.

Section 8. Financial Statements Must Be Made Available. If the Corporation prepares an audited financial statement, such audited financial statement shall be made available for inspection by the California Attorney General and by all members of the public no later than nine months after the close of the relevant fiscal year in the same manner as the Corporation's Internal Revenue Service Form 990. Each annual financial statement shall be made available to the public for three years.

Section 9. Executive Compensation Review and Approval. The Board, or any authorized Committee of the Board, shall review and approve the compensation, including benefits, of the President and CEO and the CFO to ensure that each such officer's compensation is just and reasonable. Such review and approval shall occur when the officer is initially hired, whenever the officer's term of employment is renewed or extended, and when the officer's compensation is modified, unless such modification applies to substantially all employees.

## ARTICLE XII

### INDEMNIFICATION AND INSURANCE

Section 1. Indemnification. To the full extent permitted by law and in the manner provided by law, this Corporation may, and if the law requires it shall, indemnify against liability and hold harmless any person who was or is a party to or is threatened to be a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a Director, officer, employee or other agent of this Corporation when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or other agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise. The foregoing rights of indemnification shall not be deemed to be exclusive of any other rights to which such person may be entitled under applicable law, and shall continue as to a person who has ceased to be a Director, officer, employee, or other agent of this Corporation and shall inure to the benefit of

the estate, executors, administrators, heirs, legatees or devisees of any such person to the extent such action, suit or proceeding survives the death of such person.

Section 2. Payment of Expenses. This Corporation may pay expenses, including attorney's fees, incurred in defending any action, suit or proceeding referred to in this Article in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case and as permitted by law.

Section 3. Insurance. This Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or other agent of this Corporation when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or other agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise, against any claim or liability asserted against such person and incurred in any such capacity, or arising out of such person's status as such, whether or not this Corporation would be required or would have the power to indemnify such person against such liability under this Article or otherwise.

## ARTICLE XIII

### MAINTAINING A UNIFIED HEALTH SYSTEM

Section 1. Generally. In order to ensure the relationships between organizations in the Health System that are necessary to maintain a unified system, this Corporation, in accordance with policies established by the Corporate Member, shall require that the governing document or documents of any entity of which this Corporation is the sole member or controlling organization contain the following:

(a) Provisions that reserve to this Corporation the powers over such entity as may be required by applicable Health System policies;

(b) Provisions that reserve to such entity powers over organizations it controls, as may be required by applicable Health System policies; and

(c) Provisions that require such entity to require that the governing document or documents of organizations it controls contain a provision that reserves to this Corporation, to the Corporate Member of this Corporation or to such entity, as the case may be, the powers set forth in these Bylaws, the governing document or documents of such entity or applicable Health System policies. The term "governing document or documents" is used in this Article as a generic term to describe the organizational documents by which an entity is legally formed in a particular state and includes, but is not limited to, articles of incorporation, bylaws, governing resolutions, articles of partnership, joint venture agreements, operating agreements and any other document that creates or governs the organization or entity.

Section 2. Exercise of Reserved Powers. All action by this Corporation as the sole member or controlling person of an Affiliate shall be taken by this Corporation's Board of Directors.

## ARTICLE XIV

### GENDER AND NUMBER

Words used herein regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

## ARTICLE XV

### AMENDMENTS

These Bylaws or any part thereof may be amended or repealed or new Bylaws may be adopted by the affirmative vote of the Corporate Member.

## **EXHIBIT 4**



Draft

FORM OF AMENDED AND RESTATED ARTICLES FOR DIRECT SUBSIDIARY  
HOSPITALS OF VERITY HEALTH SYSTEM OF CALIFORNIA, INC.

AMENDED AND RESTATED  
ARTICLES OF INCORPORATION

OF

[NAME]

The undersigned certify that:

1. 1. They are the President/CEO and the Secretary, respectively, of [NAME], a California nonprofit religious corporation (the "Corporation")
2. The Articles of Incorporation of this Corporation shall be amended and restated to read in full as set forth in Exhibit A attached hereto and incorporated herein by this reference.
3. The foregoing amendment and restatement of the Articles of Incorporation has been duly approved by the board of directors and the sole member of this Corporation.
4. This Corporation has one member.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: \_\_\_\_\_, 2015

\_\_\_\_\_  
President/CEO

\_\_\_\_\_  
Secretary

**Exhibit A**

**AMENDED AND RESTATED  
ARTICLES OF INCORPORATION**

**ARTICLE I**

The name of this Corporation is “[NAME]”

**ARTICLE II**

A. This Corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law of the State of California for public and charitable purposes. In furtherance of the foregoing, this Corporation may do all of the following: (1) establish, acquire, develop, operate, lease, manage, and maintain acute care hospitals and appurtenant facilities; (2) promote and carry on scientific research related to the delivery of health care services; (3) establish, manage, and maintain various types of health plans, utilizing health delivery systems designed and coordinated to maximize benefits to the communities served; (4) participate in any activity designed and carried on to promote the general health of the community; and (5) make donations, transfer assets, and provide other forms of aid and assistance to, for the benefit of, or in connection with Verity Health System of California, Inc., a California nonprofit public benefit corporation (“Verity”) or any of its affiliates. Notwithstanding the foregoing specific statement of purposes, the Corporation shall have and may exercise all of the power of a California nonprofit public benefit corporation, but only in furtherance of the above purposes.

B. In addition to the foregoing purposes, this Corporation is organized and operated primarily for charitable, scientific and educational purposes within the meaning of § 501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provision of any future United States Internal Revenue Law) (the “IRC”), and for scientific and charitable and educational purposes within the meaning of § 214(a)(15) of the California Revenue and Taxation Code (or the corresponding section of any future California revenue and tax law) (the “R&TC”). In furtherance of these purposes, this Corporation may:

- (1) Support and foster the corporate purposes of Verity, and aid, assist and confer benefits upon Verity and its affiliates.
- (2) Cooperate with health care institutions and membership institutions of Verity in their respective efforts to promote quality service at reasonable rates.
- (3) Promote cooperation and the exchange of knowledge and experience within the health system established and operated by Verity.

(4) Engage in any lawful activities within the purposes and powers for which a corporation may be organized under the California Nonprofit Public Benefit Corporation Law and as may be necessary or expedient for the administration of the affairs and attainment of the purposes of this Corporation.

(5) Otherwise operate for charitable, scientific and educational purposes within the meaning of § 501(c)(3) of the IRC and within the meaning of § 214(a)(6) of the R&TC, in the course of which operation:

- (a) No part of the net earnings of this Corporation shall inure to the benefit of, or be distributable to, any private shareholder or individual, except that this Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein.
- (b) No substantial part of the activities of this Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and this Corporation shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of any candidate for public office except as authorized under the IRC and R&TC.
- (c) Notwithstanding any other provisions of these Articles, this Corporation shall not carry on any other activities not permitted to be carried on by (i) a corporation exempt from federal income tax under § 501(a) of the IRC, or by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC, or ii) by a corporation exempt from taxation under § 214 of the R&TC.

### ARTICLE III

The name and address in the State of California of this Corporation's agent for service of process is:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### ARTICLE IV

The street and mailing address of this Corporation is [ADDRESS].

#### ARTICLE V

This Corporation shall have one member (the "Corporate Member"). The Corporate Member shall be Verity.

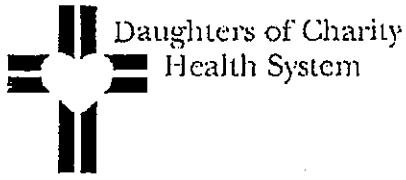
#### ARTICLE VI

The property and assets of this Corporation are irrevocably dedicated to charitable, educational and scientific purposes meeting the requirements of § 214 of the R&TC. Upon the winding up and dissolution of this Corporation, its assets remaining, after payment or adequate provision for payment of all debts and obligations of this Corporation, shall be distributed in accordance with a plan of liquidation approved by the Board of Directors to: (a) the Corporate Member, if it is organized and operated exclusively for public and charitable purposes and has established its tax exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or if for any reason it is unable to take such assets for such purpose; (b) such organization or organizations determined by the Board of Directors and organized and operated exclusively for charitable, educational or scientific purposes as shall at the time qualify as an exempt organization or organizations under § 501(c)(3) of the IRC and under § 214 of the R&TC. No assets shall be distributed to any organization if any part of the net earnings of such organization inures to the benefit of any private person or individual, or if a substantial part of the activities of such organization is the carrying on of propaganda or otherwise attempting to influence legislation, or if the organization participates in, or intervenes in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office, or if the organization carries on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under § 501(c)(3) of the IRC and meeting the requirements of § 214 of the R&TC or (ii) by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC.

#### ARTICLE VII

These Articles shall be amended only upon approval by this Corporation's Board of Directors and the Corporate Member.

**EXHIBIT 5**



**DCHS POLICIES AND PROCEDURES**  
**SECTION 04: CORPORATE RESPONSIBILITY**

**POLICY/PROCEDURE #:** 04.01.01

**TITLE:** CONFLICT OF INTERESTS DISCLOSURES BY THE BOARD OF DIRECTORS AND BOARD COMMITTEES

**BOARD APPROVAL DATE:** May 23, 2008

**EFFECTIVE DATE:** May 23, 2008

**REVISION DATE:** December 2, 2011

A handwritten signature in black ink, appearing to read "Robert Issai".

Robert Issai, President /CEO

**Reference to Policy/Procedure #:** 04.01.02 Conflict of Interests Disclosures by Covered Associates, Physician Leaders, and Other Designated Persons

**Purpose**

The purpose of this policy is to protect the Corporation's interests when it is contemplating entering into a transaction or arrangement that may also benefit a Director and/or family member personally.

This policy applies to Board members, Board officers, and members of Board committees, herein referred to as "Directors". A related policy (Policy/Procedure 04.01.02 "Conflict of Interests Disclosures by Covered Associates, Physician Leaders, and Other Designated Persons") applies to associates (including employed officers and other members of senior management) and physician leaders. A conflict of interests exists when a Director has a personal financial interest that may influence the decisions that the Director makes on behalf of the Corporation.

This policy provides a systematic and ongoing method of assisting Directors in disclosing and addressing potential and actual conflicts of interests.

## Principles

Directors must exercise their fiduciary duties in a manner consistent with the mission and values of Daughters of Charity Health System (DCHS). Directors must exercise the utmost good faith and fair dealing in all transactions touching their duties to the Corporation, scrupulously avoiding conflicts of interests, whether potential, actual or perceived, to ensure that the Corporation and its Board of Directors conduct activities in a fair and unbiased manner.

## Definitions

For the purpose of this Policy/Procedure, the following definitions apply:

1. **Corporation:** DCHS and its affiliates including, but not limited to, O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, St. Vincent Dialysis Center, Seton Medical Center, Seton Coastside, Caritas Business-Services, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, Seton Health Services Foundation, St. Francis Medical Center of Lynwood Foundation, St. Vincent Foundation, and the DCHS Medical Foundation.
2. **Family:** Anyone related to the Director through blood, marriage, adoption, domestic partnership, or anyone living in the Director's household.
3. **Favors:** Something offered without requesting the monetary value in return, such as discounts, meals, entertainment, tuition, seminars, and conferences.
4. **Financial Interest:** A Director or Family member has, directly or indirectly, a current or potential
  - Ownership or investment interest in; or
  - Compensation arrangement with; or
  - Other economic interest in any of the following:
    - i. The Corporation; or
    - ii. Any entity or individual with which the Corporation has a transaction or arrangement; or
    - iii. Any entity or individual with which the Corporation is negotiating a transaction or arrangement; or
    - iv. Any entity or individual that competes with the Corporation.

"Compensation" includes direct and/or indirect remuneration, as well as gifts or Favors in excess of \$300 in any calendar year.

"Ownership or investment" excludes interests of less than 1% in entities whose securities are publicly listed and have \$75 million or more of stockholders equity.

5. **Potential Conflict of Interests:** A Financial Interest is not necessarily a conflict of interests. Directors have a duty to disclose all Financial Interests for purposes of evaluation. The Board or Board committee, as applicable, shall decide whether a conflict of interests exists.

## Procedures

### 1. Duty to Disclose

Directors have an ongoing duty to disclose Financial Interests, when such Financial Interests may be potential or actual conflicts of interests. Directors have a duty to disclose Financial Interests relating to specific corporate transactions, annually, and otherwise during the year, in accordance with the procedures below.

### 2. Disclosures Related to Specific Corporate Transactions

When a potential conflict of interests arises or any situation arises in which a Director may be in doubt, the Director must disclose the material facts to the other Board members or Board committee. Disclosure of the Financial Interest shall be made prior to the Board or committee voting on such transaction or arrangement. Such disclosure may be made in person or in writing, as the Chair of the Board or committee may direct.

After disclosure of the Financial Interest and all material facts, the Director may be asked to clarify or provide additional information relevant to the Financial Interest. After all needed information is obtained by the Board or committee, the Director shall not be present during evaluation of the disclosure. The remaining Board or committee members shall decide if a conflict of interests exists.

If a determination is made that a conflict of interests does indeed exist, action may be taken as listed below.

- A. The Chair of the Board or committee may, if appropriate, appoint a disinterested Director or committee to consider alternatives to the proposed transaction or arrangement.
- B. After exercising due diligence, the disinterested members of the Board or committee shall determine whether the Corporation can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interests.
- C. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interests, the Board or committee shall determine by a majority vote of the disinterested Directors or committee members whether the transaction or arrangement is fair and reasonable to the Corporation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.



- D. The Director shall not be present when the transaction is voted on and only disinterested Directors or committee members may vote to approve the transaction.
- E. At their discretion, disinterested Board or committee members may require the Director to leave the room while the proposed transaction is discussed. The disinterested members shall balance the need for independence of the determination with the need to have the Director on hand to answer questions or provide additional information to assist the Board or committee.
- F. To the extent permitted by applicable state law and the Corporation's governing documents, Directors may be counted in determining the presence of a quorum of a meeting where a potential conflict of interests has been disclosed.
- G. Prior to corporate approval of a contract or transaction in which a Financial Interest of a Director has been identified, counsel shall be consulted to determine whether any additional steps before such approval are required under California or federal law, including the California Nonprofit Corporation Law and the Internal Revenue Code and accompanying regulations.

### 3. Annual and Ongoing Disclosure Requirements for Directors

- A. **Annual Disclosure Statement:** The President and Chief Executive Officer of the Corporation or designee shall annually send the Conflict of Interests Disclosure Statement to all Directors, immediately following the annual meeting of the Board of Directors. Not later than January 31 of each year, each Director shall complete and sign a Conflict of Interests Disclosure Statement in the Exhibit to this policy.
- B. **Ongoing Requirements for Disclosures by Directors:** If any Financial Interest of a Director changes which gives rise to a potential or actual conflict of interests while the Director is serving, the Director shall promptly provide an updated Conflict of Interests Disclosure Statement to the Chair of the Board.
- C. Directors shall submit completed Conflict of Interests Disclosure Statements to the Chair of the Board. Conflict of Interests Disclosure Statements shall be made a matter of record.
- D. The information of each Conflict of Interests Statement can be compiled into a summary report for review by the Chair of the Board at their request.
- E. The Chair of the Board will address any conflict of interests issues.
- F. The Chair of the Board will report all Director conflict of interests findings (if any) and resolutions to the Board of Directors.

#### **4. Documentation of Disclosures**

- A. The minutes of the Board and all Board committees will contain the following:
  - i. The name of each Director who disclosed or otherwise was found to have a Financial Interest that was an actual or potential conflict of interests, a general statement as to the nature of the interest, the evaluation, and the Board's or committee's determination as to whether a conflict of interests in fact existed.
  - ii. The names of the persons who were present for discussions and votes relating to the transaction, a summary of the discussion that identifies whether any alternatives to the proposed transaction were considered, and a record of any votes taken in connection therewith.
- B. The President/CEO or designee shall maintain for 10 years a confidential record of the disclosure, evaluation of the facts, conclusion, and (if any) action taken to address the conflict.

#### **5. Violations of this Policy**

- A. If the Board or committee has reasonable cause to believe that a Director has failed to disclose an actual or potential conflict of interests, it shall inform the Director of the basis for such belief and afford the Director an opportunity to explain the alleged failure to disclose.
- B. After hearing the response of the Director and making such further investigation, as may be warranted, if the Board or committee determines that the Director has failed to disclose an actual or potential conflict of interests, it will take such action as it considers appropriate, which may include disciplinary and corrective action.

#### **6. Members Precluded from Voting on Matters relating to Compensation**

- A. **Voting Member of Board:** A voting member of the Board of Directors who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.
- B. **Physician Member of Board:** A physician who is a voting member of the Board of Directors and receives compensation, directly or indirectly, from the Corporation is precluded from discussing and voting on matters pertaining to the member's or another physician's compensation. No physician or physician Director, either individually or collectively, is prohibited from providing information to the Board of Directors regarding physician compensation.
- C. **Voting Member of Committee:** A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.

- D. Physician Participation on Committee: Physicians who receive compensation, directly or indirectly, from the Corporation, whether as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

**7. Confidentiality Agreement**

Each Director shall sign a Confidentiality Agreement in order to protect the confidentiality of Board deliberations. A Confidentiality Agreement is included in the Conflict of Interests Disclosure Statement.

**Implementation and Review of this Policy**

This policy is to be implemented by:  
**LHM Board of Directors Chair**

This policy is to be reviewed annually for compliance and relevance by:  
**DCHS Corporate Responsibility Officer**

**Exhibit - Conflict of Interests Disclosure Statement**

Exhibit to Policy/Procedure 04.01.01

**CONFLICT OF INTERESTS DISCLOSURE STATEMENT  
AND CONFIDENTIALITY AGREEMENT  
Board of Directors and Board Committee Members**

Name: \_\_\_\_\_

Name of Corporation: \_\_\_\_\_

Title (check one):                      Director [  ]      Committee Member [  ]

Filing Period (check one):      Initial [  ]      Annual [  ]      Specific Event [  ]

Received by: \_\_\_\_\_

Date Received by Filing Officer: \_\_\_\_\_

Please answer the following questions:

**DEFINITIONS.** Capitalized terms used herein shall have the meanings set forth in the Conflict of Interests Policy 04.01.01. Refer to the "Definitions" section of the policy.

**DISCLOSURE OF FINANCIAL INTEREST.** Please fill out a new Disclosure Statement each time you become aware of a Financial Interest.

1. Do you or your Family members have, directly or indirectly, a current or potential ownership or investment interest in any of the following:
  - a. The Corporation?    Yes [  ]    No [  ]
  - b. Any entity or individual with which the Corporation has a transaction or arrangement?  
Yes [  ]    No [  ]
  - c. Any entity or individual with which the Corporation is negotiating a transaction or arrangement?    Yes [  ]    No [  ]
  - d. Any entity or individual that competes with the Corporation?  
Yes [  ]    No [  ]

("Corporation" includes DCHS and its affiliates.)

("Ownership or investment" excludes interests of less than 1% in entities whose securities are publicly listed and have \$75 million or more of stockholders equity.)

("Investment" interest includes outstanding bonds and debts.)

For each answer "yes" above, provide on a separate sheet information regarding all such interests (i.e., who holds the financial interest, your relationship to them, name of entity or individual with which the financial interest is held, nature of financial interest, dollar amount, number of shares, percentage ownership, etc.).

2. Do you or your Family members have, directly or indirectly, a current or potential compensation arrangement with any of the following:

- a. The Corporation? Yes [ ] No [ ]
- b. Any entity or individual with which the Corporation has a transaction or arrangement? Yes [ ] No [ ]
- c. Any entity or individual with which the Corporation is negotiating a transaction or arrangement? Yes [ ] No [ ]
- d. Any entity or individual that competes with the Corporation? Yes [ ] No [ ]

("Corporation" includes DCHS and its affiliates.)

("Compensation" includes direct and indirect remuneration, as well as gifts or Favors in excess of \$300 in any calendar year.)

For each answer "yes" above, provide on a separate sheet information regarding all such compensation arrangements (i.e., who has the compensation arrangement, your relationship to them, name of entity or individual they have a compensation arrangement with, nature of the compensation arrangement, dollar amount, etc.).

3. **OTHER DIRECTORSHIPS.** List the names of all entities for which you serve as a member of the Board of Directors and the estimated amount of annual compensation you receive, if any, from such entities for your service as a Director (attach additional sheets if necessary):

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

4. **OTHER POSITIONS.** List the names of all entities which transact business with the Corporation or compete with the Corporation and with which you serve in any capacity (other than as Director, including directive, managerial or consultative) and the estimated amount of annual compensation you receive, if any, from such entities for such service (attach additional sheets if necessary):

_____	\$ _____
_____	\$ _____
_____	\$ _____

5. **BORROWINGS.** Disclose the terms (i.e., amount, interest rate, security given, and duration) of any loans (of money or other property) where you are the borrower and the lender is a patient, individual or entity that transacts business with the Corporation.
- 
- 

6. **GIFTS OR FAVORS.** Disclose all cash gifts (regardless of the amount of cash) and any non-cash gifts or Favors which you or members of your Family have received from individuals or entities which transact business or seek to transact business with the Corporation.
- 
- 

7. **OTHER.** I hereby disclose the following circumstances which may involve a possible conflict of interests:
- 
- 

8. **CONFIDENTIALITY AGREEMENT.** I recognize that Board and committee meetings of the Corporation are conducted in strictest confidence and matters are discussed that are sensitive in nature and, therefore, confidential and proprietary. Accordingly, I agree in connection with any and all participation at meetings of the Board of Directors or committees of the Board to maintain all information, whether or not specifically identified as confidential and proprietary, in strictest confidence, absent specific authorization to release or disclose information to third parties by the Board of Directors or its President. By signature below, I also certify that neither I (nor any member of my Family) have disclosed or used information relating to the Corporation for the personal profit or advantage of myself or any member of my Family.

9. AFFIRMATION.

- I hereby acknowledge receiving a copy of the Conflict of Interests policy 04.01.01.
- I have read, understand, and agree to comply with the terms of the policy.
- I understand that the Corporation is a charitable organization and that, in order to maintain its federal tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.
- I have disclosed any and all interests and activities that I or members of my Family have or have taken part in, that when considered in conjunction with my position with or relation to the Corporation, might possibly constitute a conflict of interests.
- I agree to refrain from voting or using my personal influence on any matter that may represent a conflict of interests.
- I agree to refrain from accepting gifts or Favors, gratuities or entertainment intended to influence my judgment or actions concerning the business of the Corporation.
- If any situation should arise in the future which may involve me in a conflict of interests in accordance with the policy, I will promptly provide a new Disclosure Statement to the Chair of the Board.

SIGN AND DATE:

\_\_\_\_\_

Date: \_\_\_\_\_

Copy to:      President/CEO

**EXHIBIT 6**



**AMENDED AND RESTATED**  
**ARTICLES OF INCORPORATION**  
**OF**  
**DAUGHTERS OF CHARITY HEALTH SYSTEM**

The undersigned certify that:

1. They are the President/CEO and the Secretary, respectively, of Daughters of Charity Health System, a California nonprofit religious corporation (the "Corporation").
2. The Articles of Incorporation of this Corporation are amended and restated to read in full as set forth in Exhibit A attached hereto and incorporated herein by this reference.
3. The foregoing amendment and restatement of the Articles of Incorporation has been duly approved by the board of directors and the sole member of this Corporation.
4. This Corporation has one member.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: \_\_\_\_\_, 2015

\_\_\_\_\_  
President/CEO

\_\_\_\_\_  
Secretary

**Exhibit A**  
**AMENDED AND RESTATED**  
**ARTICLES OF INCORPORATION**

**ARTICLE I**

The name of this Corporation is "Verity Health System of California, Inc."

**ARTICLE II**

A. This Corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law of the State of California for public and charitable purposes. More specifically, the Corporation is organized and operated exclusively for the support and benefit of, to perform the functions of, or to carry out the purposes of the following organizations: O'Connor Hospital, Saint Louise Regional Hospital, St. Vincent Medical Center, St. Francis Medical Center, Seton Medical Center, Verity Medical Foundation, Verity Business Services, and St. Vincent Dialysis Center. In furtherance of the foregoing, this Corporation may do all of the following: (1) establish, acquire, develop, operate, lease, manage, and maintain acute care hospitals, physician practices, medical foundations and appurtenant facilities and related enterprises (collectively referred to as the "Verity Health System"); (2) promote and carry on scientific research related to delivery of health care services; (3) establish, manage, and maintain various types of health care enterprises, utilizing health delivery systems designed and coordinated to maximize benefits to the communities served; (4) participate in any activity designed and carried on to promote the general health of the community served by Verity Health System or any of this Corporation's affiliates; and (5) make donations, transfer assets and provide other forms of aid and assistance to, for the benefit of, or in connection with each organization that is controlled, directly or indirectly, by this Corporation or by another organization controlled by this Corporation (each, an "Affiliate"). Notwithstanding the foregoing specific statement of purposes, the Corporation shall have and may exercise all of the power of a California nonprofit public benefit corporation, but only in furtherance of the above purposes.

B. In addition to the foregoing purposes this Corporation is organized and operated primarily for charitable, scientific and educational purposes within the meaning of §501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provision of any future United States Internal Revenue Law) (the "IRC"), and within the meaning of § 214(a)(6) of the California Revenue and Taxation Code (or the corresponding section of any future California revenue and tax law) (the "R&TC") and, in furtherance of these purposes, this Corporation may:

- (1) Promote, support and engage in any and all educational, charitable and scientific programs which are now, or may hereafter be, established by any of the Affiliates.
- (2) Support and foster the corporate purposes of, and aid, assist and confer benefits upon the Affiliates.

- (3) Cooperate with the Affiliates in their respective efforts to promote quality service at reasonable rates.
- (4) Promote cooperation and the exchange of knowledge and experience within the Verity Health System.
- (5) Engage in any lawful activities within the purposes and powers for which a corporation may be organized under the California Nonprofit Public Benefit Corporation Law and as may be necessary or expedient for the administration of the affairs and attainment of the purposes of this Corporation.
- (6) Otherwise operate for charitable, scientific and educational purposes within the meaning of § 501(c)(3) of the IRC and within the meaning of § 214(a)(6) of the R&TC, in the course of which operation:
  - (a) No part of the net earnings of this Corporation shall inure to the benefit of, or be distributable to, any private shareholder or individual, except that this Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein.
  - (b) No substantial part of the activities of this Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and this Corporation shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of any candidate for public office except as authorized under the IRC and R&TC.
  - (c) Notwithstanding any other provisions of these Articles, this Corporation shall not carry on any other activities not permitted to be carried on by (i) a corporation exempt from federal income tax under § 501(a) of the IRC, or by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC, or (ii) by a corporation exempt from taxation under § 214 of the R&TC.

### ARTICLE III

The name and address in the State of California of this Corporation's agent for service of process is:

[TBD]

---

---

---

#### ARTICLE IV

The street and mailing address of this Corporation is 26000 Altamont Road, Los Altos, California 94022-4317.

#### ARTICLE V

This Corporation shall have no members.

#### ARTICLE VI

The property of this Corporation is irrevocably dedicated to charitable, educational, and scientific purposes meeting the requirements of § 214 of the R&TC and in Article II.B hereof. Upon the winding up and dissolution of this Corporation, its assets remaining, after payment or adequate provision for payment of all debts and obligations of this Corporation, shall be distributed in accordance with a plan of liquidation approved by the Board of Directors to such organization or organizations determined by the Board of Directors and organized and operated exclusively for charitable, educational or scientific purposes as shall at the time qualify as an exempt organization or organizations under § 501(c)(3) of the IRC and under § 214 of the R&TC. No assets shall be distributed to any organization if any part of the net earnings of such organization inures to the benefit of any private person or individual, or if a substantial part of the activities of such organization is the carrying on of propaganda or otherwise attempting to influence legislation, or if the organization participates in, or intervenes in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office, or if the organization carries on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under § 501(c)(3) of the IRC and meeting the requirements of § 214 of the R&TC or (ii) by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC.

#### ARTICLE VII

These Articles shall be amended only upon approval by this Corporation's Board of Directors.

**EXHIBIT 7**

AMENDED AND RESTATED  
BYLAWS  
OF  
VERITY HEALTH SYSTEM OF CALIFORNIA, INC.

Adopted  
as of \_\_\_\_\_, 2015

## TABLE OF CONTENTS

	<u>Page(s)</u>
Article I NAME .....	1
Article II DEFINITIONS .....	1
Article III PURPOSES AND MISSION.....	2
Article IV OFFICES AND SEAL.....	2
Article V BOARD OF DIRECTORS .....	2
Article VI MEETINGS OF THE BOARD OF DIRECTORS.....	8
Article VII CORPORATE OFFICERS .....	9
Article VIII COMMITTEES.....	14
Article IX GENERAL PROVISIONS .....	18
Article X INDEMNIFICATION AND INSURANCE.....	19
Article XI MAINTAINING A UNIFIED HEALTH SYSTEM.....	20
Article XII GENDER AND NUMBER.....	20
Article XIII AMENDMENTS .....	21

**AMENDED AND RESTATED**  
**BYLAWS OF**  
**VERITY HEALTH SYSTEM OF CALIFORNIA, INC.**

**ARTICLE I**

**NAME**

The name of this Corporation shall be as set forth in its Articles of Incorporation.

**ARTICLE II**

**DEFINITIONS**

Section 2.1 Definitions. These Bylaws contain the terms “Affiliate” and “Health System.” These terms are also used in the bylaws of the entities comprising the Health System. For purposes of continuity, when used in these Bylaws, such terms shall be interpreted to give full effect to the intent of Article XI of these Bylaws.

A. Affiliate. The term “Affiliate” shall mean, individually, each organization that is controlled, directly or indirectly, by this Corporation or by another organization controlled by this Corporation. As used in this definition, “control” shall mean (a) the status of sole corporate member of an organization; or (b) the authority to appoint, elect or approve at least a majority of the governing body of an organization.

B. Effective Date. The “Effective Date” shall mean the date of adoption of these Bylaws.

C. Health System. “Health System” shall mean, collectively, this Corporation and its Affiliates.

D. Subsidiary. “Subsidiary” shall mean an Affiliate that is under the direct control of another Affiliate.

E. System Authority Matrix. “System Authority Matrix” shall mean the document as in effect from time to time which sets forth the respective responsibilities and authorities for Health System operations and decision making.

F. Other Capitalized Terms. Capitalized terms used in these Bylaws and not otherwise defined herein are used herein with the meanings given them in the California Nonprofit Corporation Law.



### ARTICLE III

#### PURPOSES

Section 3.1 Purposes. The purposes of this Corporation are set out in its Articles of Incorporation as in effect from time to time.

### ARTICLE IV

#### OFFICES AND SEAL

Section 4.1 Offices. The principal office for the transaction of the business of this Corporation shall be in the County of Santa Clara, State of California. This Corporation may also have an office or offices within or without the State of California, as the Board of Directors may from time to time establish.

Section 4.2 Seal. This Corporation may have a common seal inscribed with the name of this Corporation.

### ARTICLE V

#### BOARD OF DIRECTORS

Section 5.1 Powers. Subject to the provisions of this Corporation's Articles of Incorporation, these Bylaws, the System Authority Matrix, and the laws of the State of California, the activities and affairs of this Corporation shall be managed and conducted and all corporate powers shall be exercised by or under the direction of this Corporation's Board of Directors. To facilitate the management and conduct of this Corporation's activities and affairs, the Board of Directors shall establish corporate policies for, and formulate the basic rules and regulations governing the operation and management of, this Corporation. The Board of Directors may delegate the management and conduct of this Corporation's activities and affairs to any person or persons, management company, or committee however composed, provided that no delegation of authority by the Board of Directors to the President and Chief Executive Officer (as defined in Section 7.8 below), or anyone else, shall preclude the Board of Directors from exercising the authority required to meet its governance responsibility for the management and conduct of this Corporation's activities and affairs; and provided further that any delegation of powers of the Board may be made only to a committee of the Board consisting only of directors and shall be subject to the further limitations on Board committees set forth in Section 8.1 of these Bylaws. The Board of Directors shall retain the right to rescind any such delegation.

Section 5.2 Specific Authority of the Board of Directors. Without limiting the generality of the foregoing, the Board of Directors has the power and authority to take or approve the following actions, subject to the System Authority Matrix:

- A. Approve or change the mission, role and/or purpose of this Corporation;

- B. Amend, restate, or repeal the Bylaws and Articles of Incorporation of this Corporation;
- C. Approve the merger, consolidation, reorganization, or dissolution of this Corporation and the disposition of the assets of this Corporation upon dissolution;
- D. Elect and remove the Directors of this Corporation;
- E. Approve any amendment of the approval rights of the Corporation set forth in the System Authority Matrix;
- F. Establish the overall debt limit governing the incurrence of debt and guaranties by this Corporation and its Affiliates and approve the incurrence of debt and guaranties of this Corporation or any of its Affiliates other than in accordance with such policies as in effect from time to time;
- G. Approve the capital and operating budgets of this Corporation;
- H. Establish the criteria for and approve the financial and strategic plans of the Corporation;
- I. Approve the sale, transfer, substantial change in use of the assets of the Corporation to the extent required by the System Authority Matrix; and
- J. Approve the formation by this Corporation of any new corporation or other legal entity, or its participation (excluding investment in publicly-traded securities) in any corporation or other entity as a shareholder, member, partner or joint venturer.
- K. Approve the selection of the external audit firm for the Corporation and its Affiliates; and
- L. Establish and appoint, and prescribe the duties and authorities of the audit, finance, and any other committee for the Health System that would substitute or supersede such committees of the governing bodies of the Affiliates to the extent allowed by applicable law.

Section 5.3 Specific Authority of the Corporation as Sole Corporate Member of Affiliates. The Board of Directors has the power and authority, in the name and on behalf of this Corporation, to take or approve the following actions with respect to its Affiliates, subject to the System Authority Matrix:

- A. Approve the formation, merger, dissolution, consolidation, divestiture, closure, change in corporate membership or control and reorganization of each direct Affiliate of this Corporation;
- B. Appoint and remove the chief executive officer and chairperson of the board of each of the Affiliates;

C. Approve the incurrence of debt and guaranties of any of its Affiliates other than in accordance with such policies as in effect from time to time;

D. Approve the sale, transfer, substantial change in use of the assets of any Affiliate to the extent required by the System Authority Matrix;

E. Approve any other action of this Corporation or any Affiliate controlled by this Corporation that has been established by resolution of the Board of Directors as requiring its approval, including but not limited to any approvals of authority necessary to ensure compliance with any credit agreement, master indenture or loan agreement to which this Corporation or any Affiliate controlled by this Corporation is a party.

Section 5.4 Board of Directors on the Effective Date. The Board of Directors on the Effective Date shall be those persons elected or appointed as specified in Section 2.1(a) of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, this Corporation, and Certain Funds Managed by BlueMountain Capital Management, LLC (“BMCM”) dated July 17, 2015.

Section 5.5 Number and Qualification.

A. Generally. The Board of Directors shall consist of no less than five (5) members, as follows:

(1) BMCM shall have the right to appoint not more than twenty percent (20%) of the number of Directors constituting the Board of Directors at any time (each a “BM Director Appointee”) during the period of time that its affiliate, Integrity Healthcare, LLC (the “Manager”), is providing management services to the Corporation pursuant to a management services agreement; and

(2) the remainder shall be persons nominated by the Nominating Committee as provided in Section 5.4 of these Bylaws and elected by the Board of Directors (the “At-Large Directors”).

B. Qualifications.

(1) At-Large Directors recommended by the Nominating Committee shall be selected in a manner that meets any applicable requirements for the Corporation to maintain its tax-exempt status. Collectively, the At-Large Directors shall have the experience and expertise appropriate to fulfillment of their fiduciary duties as independent directors of a California nonprofit public benefit corporation. In the ordinary course, this means they will have experience in complex business operations and have had involvement in non-profit tax-exempt organizations. They will have exercised judgment in challenging business settings, and will have experience in working with teams in reaching goals. The At-Large Directors shall have demonstrated a willingness to commit support for

the mission of the Corporation and training and experience in matters relevant to service as a member of the Board of Directors through:

- (1) participation in community affairs or in the work of other charitable organizations;
- (2) ability and willingness to contribute to the achievement of the purposes of the Corporation;
- (3) awareness of the objectives of the Corporation as they relate to the health needs of the Corporation's service area; and
- (4) such other criteria as may be recommended to the Nominating Committee by the Board of Directors.

(2) BM Director Appointees and At-Large Directors shall not, either directly or indirectly, personally or through a family member, have any financial relationship with BMCM, or its owned or managed affiliates, and may not serve as an officer, director, contractor or employee of BMCM, any managed fund, or entity in which BMCM has an equity stake or option to purchase, except for public companies wherein BMCM has an interest of less than 10%.

C. Restriction on Interested Directors. Not more than forty-nine percent (49%) of the persons serving on the Board of Directors at any time may be interested persons. An interested person is (i) any person currently being compensated by this Corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor or otherwise, but excluding any reasonable compensation paid to a Director as Director; or (ii) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law or father-in-law of any such person. However, any violation of the provisions of this Section shall not affect the validity or enforceability of any transaction entered into by this Corporation.

Section 5.6 Nomination and Election of At-Large Directors. Candidates for At-Large Directors may be recommended by any member of the Board of Directors to the Nominating Committee, constituted in accordance with Section 8.7 of these Bylaws. Except as otherwise provided in this Section 5.6, and acting by the unanimous consent or vote of all of its members, the Nominating Committee shall nominate At-Large Director candidates to the Board of Directors and the Board of Directors shall elect the Directors of this Corporation at its annual meeting or at any other time designated by the Board of Directors. Notwithstanding the foregoing, if, after taking votes on two candidates for the same Director seat, the Nominating Committee does not vote unanimously for one of two initially considered candidates, then the affirmative vote needed to formally nominate a candidate to the Board of Directors may be by simple majority of the members of the Nominating Committee. The Nominating Committee shall notify the Board of Directors in writing of nominees at least ten (10) business days in advance of any regular or special meeting of the Board of Directors at which Directors are to be

elected. At the next regular or special meeting of the Board of Directors, the Board of Directors shall either elect or reject as an At-Large Director any nominees provided by the Nominating Committee. If any Director positions remain unfilled, the nomination procedure shall be repeated and new names nominated in accordance with the procedures set forth in this Section, until all Director positions are filled.

Section 5.7 Term. Each appointed Director shall hold office for a term of one (1) year or such other period as the Board of Directors may set and until his or her successor is elected or appointed and qualified. Appointed Directors may be reappointed in accordance with Section 5.5(A) of these Bylaws.

Section 5.8 Removal and Filling of Vacancies. Any or all Directors may be removed from office, with or without cause, by the Board of Directors, except that the removal of a BM Director Appointee also requires the agreement of BMCM. The Board of Directors may declare vacant the office of a Director who has been removed; who has been declared of unsound mind by a final order of court or convicted of a felony, or who has been found, by a final order or judgment of any court, to be in breach of any duty owed to the Corporation under California law. In the event a Director shall be so removed or his or her office is declared vacant, a new Director to fill the unexpired term or terms of the Director who was removed or whose office was declared vacant may be appointed by the Board of Directors from nominees selected by the Nominating Committee, except that the vacant seat of a BM Director Appointee can only be filled by a new appointment by BMCM in accordance with Section 5.5(A) of these Bylaws. At all times the Board of Directors shall have not more than twenty percent (20%) of its members appointed by BMCM.

Section 5.9 Resignation. Any Director may resign at any time by delivering her or his resignation in writing to the Chairperson of the Board of Directors, or the Secretary or to the Board of Directors of the Corporation at its principal office; provided that, except upon notice by the Attorney General, no Director may resign if the Corporation would then be left without a duly elected Director or Directors in charge of its affairs. Such resignation shall be effective upon receipt unless specified to be effective at some other time.

Section 5.10 Compensation and Expenses. Directors may receive such reasonable compensation (within the meaning of Internal Revenue Code Section 4958), if any, for serving as Director, and advances or reimbursement for reasonable expenses, as may be fixed or determined by the Board of Directors. Directors may receive compensation from the Corporation for services rendered to it, subject to the restriction on interested Directors as set forth in Section 5.5(C).

Section 5.11 Self-Dealing Transactions. This Corporation shall not enter into self-dealing transactions. Except as provided in Section 5.11(A), for the purpose of this section, a self-dealing transaction means a transaction to which this corporation is a party and in which one or more of the members of its Board of Directors or officers has a material financial interest and which does not meet the requirements of Sections 5.11(B) or 5.11(C). Such a member of the Board of Directors is an "interested director" for the purpose of this section.

A. Exceptions. The provisions of this section do not apply to any of the following:

(1) An action of the Board of Directors fixing the compensation of a member of the Board of Directors as an officer of this corporation.

(2) A transaction which is part of a public or charitable program of this corporation if it (i) is approved or authorized by this corporation in good faith and without unjustified favoritism and (ii) results in a benefit to one or more members of the Board of Directors or their families because they are in the class of persons intended to be benefited by the public or charitable program.

(3) A transaction, of which the interested director or directors have no actual knowledge, and which does not exceed the lesser of one percent of the gross receipts of this corporation for the preceding fiscal year or one hundred thousand dollars (\$100,000).

B. Prior Board of Directors Approval. This Corporation may enter into a self-dealing transaction if all of the following facts are established:

(1) This Corporation entered into the transaction for its own benefit;

(2) The transaction was fair and reasonable as to this Corporation at the time this Corporation entered into the transaction;

(3) Prior to consummating the transaction or any part thereof the Board of Directors authorized or approved the transaction in good faith by a vote of a majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors, and with knowledge of the material facts concerning the transaction and the director's interest in the transaction. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction. Except as provided in Paragraph 5.11(C)(1), action by a committee of the Board of Directors shall not satisfy this paragraph; and

(4) Prior to authorizing or approving the transaction the Board of Directors considered and in good faith determined after reasonable investigation under the circumstances that this corporation could not have obtained a more advantageous arrangement with reasonable effort under the circumstances or (ii) this corporation in fact could not have obtained a more advantageous arrangement with reasonable effort under the circumstances.

C. Subsequent Board of Directors Approval. This corporation may enter into a self-dealing transaction if all of the following facts are established:

(1) A committee or person authorized by the Board of Directors approved the transaction in a manner consistent with the standards set forth in Section 5.11(B);

(2) It was not reasonably practicable to obtain approval of the Board of Directors prior to entering into the transaction; and

(3) The Board of Directors, after determining in good faith that the conditions of subparagraphs (1) and (2) of this Section were satisfied, ratified the transaction at its next meeting by a vote of the majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction.

## ARTICLE VI

### MEETINGS OF THE BOARD OF DIRECTORS

Section 6.1 Place of Meeting. All meetings of the Board of Directors shall be held at the principal office of this Corporation or at such other place as may be designated for that purpose in the notice of the meeting or, if not stated in the notice or there is no notice, at such place as may be set by resolution of the Board.

Section 6.2 Meetings by Telephone or Electronic Communication. Directors may participate in any meeting of the Board of Directors, regular or special, through the use of conference telephone, electronic video screen communication, or electronic transmission by and to the Corporation. Participation in a meeting through conference telephone or electronic video screen communication constitutes presence in person at that meeting so long as all members participating are able to hear one another. Participation in a meeting through electronic transmission other than telephone conference or electronic video transmission constitutes presence at that meeting so long as both of the following apply: (A) each member participating in the meeting can communicate with all of the other members concurrently; (B) each member is provided the means of participating in all matters before the Board of Directors, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the Corporation.

Section 6.3 Annual Meetings. The Board of Directors shall hold an annual meeting for the purpose of organizing the Board, the election of officers, and the transaction of such other business as may come before the meeting. The annual meeting shall be held at such time as the Board may fix by resolution from time to time. No notice of the annual meeting of the Board of Directors need be given.

Section 6.4 Regular Meetings. Regular meetings of the Board of Directors shall be held at such time as the Board may fix by resolution from time to time. No notice of any regular meeting of the Board of Directors need be given.

Section 6.5 Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairperson of the Board or by two (2) or more Directors of this Corporation.

Section 6.6 Notice of Special Meetings. Notice of the time and place of special meetings shall be communicated personally or by telephone to each Director or sent to each Director by mail or other form of written communication, addressed to him or her at his or her address as it is shown on the records of this Corporation. Such notice, if mailed, shall be mailed at least seventy-two (72) hours prior to the time of the meeting, or if delivered personally, telephonically or telegraphically or by e-mail, shall be received at least forty-eight (48) hours prior to the time of the meeting.

Section 6.7 Waiver of Notice. Notice of a meeting need not be given to any Director who signs a waiver of notice or a written consent to hold the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 6.8 Quorum. At all meetings of the Board of Directors, a majority of the then serving Directors, but not less than two (2), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of the Directors present, whether or not a quorum, may adjourn any Directors' meeting to another time and place. The act of a majority of the Directors present at any time at which there is a quorum shall be the act of the Board of Directors, unless a greater number is required by law. Notwithstanding the previous provisions of this Section, the Directors present at a meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, so long as any action taken is approved by at least a majority of the required quorum for such meeting.

Section 6.9 Action Without Meeting. Any action required or permitted to be taken by the Board of Directors under any provision of law, the Articles of Incorporation or these Bylaws may be taken without a meeting if all of the Directors individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as the unanimous vote of such Directors. Any certificate or other document filed on behalf of this Corporation relating to an action taken by the Board without a meeting shall state that the action was taken by written consent of the Board of Directors without a meeting and that the Bylaws of the Corporation authorize its Directors to so act.

Section 6.10 Prohibition Against Voting by Proxy. Directors may not vote by proxy.

## ARTICLE VII

### CORPORATE OFFICERS



Section 7.1 Officers.

A. The officers of this Corporation shall include a Chief Executive Officer and President (“CEO”), Chairperson of the Board, Vice Chairperson of the Board, Chief Financial Officer (“CFO”), and a Secretary, all of whom shall be selected in accordance with the provisions of this Article VII. Any number of such offices may be held by the same person, but neither the Chairperson of the Board nor the President/CEO may serve concurrently as the Secretary or CFO of this Corporation.

B. Except as otherwise set forth in these Bylaws, the officers of this Corporation shall be chosen annually by the Board of Directors and shall hold office until his or her resignation or removal by the Board of Directors or, in the case of the President/CEO and Chief Financial Officer, by the Manager (during any time that the Management Agreement is in effect), other disqualification to serve, or until his or her successor shall be elected and qualified. Notwithstanding any provision to the contrary in these Bylaws, as long as the Management Agreement remains in effect and has not terminated or expired, the Manager (as defined in the Management Agreement) will be obligated to provide an acceptable President/CEO and Chief Financial Officer, all as set forth under the terms and conditions of the Management Agreement, and will have the right to terminate or remove the Chief Executive Officer and President and Chief Financial Officer, without the approval of the Board of Directors. In the event the Manager terminates the President/CEO or Chief Financial Officer, the Manager shall be required to provide a replacement of such officer to be approved by the Board of Directors. The Board of Directors shall have the right to require Manager to replace the President/CEO if the Board of Directors determines, in its sole judgment, that the President/CEO is unacceptable.

C. The Board of Directors may appoint such other officers from among the members of the Board of Directors, such as one or more assistant secretaries or treasurers, as the business of this Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board of Directors from time to time may authorize.

Section 7.2 Removal of Officers. Subject to any consultation or approval requirements under the System Authority Matrix, any officer may be removed, with or without cause, by a majority of Directors then in office, at any regular or special meeting of the Board, except that if an employment agreement is in effect for any officer, its terms shall govern the removal of the officer. Should a vacancy occur in any office as a result of death, resignation, removal, disqualification or any other cause, the Board of Directors may delegate the powers and duties of such office, except as otherwise provided in these Bylaws, to any officer or to any Director until such time as a successor for such office has been elected or appointed. Any officer shall be automatically removed as such an officer upon his or her removal as a Director in accordance with the provisions of Section 5.6 of these Bylaws.

Section 7.3 Chairperson of the Board. The Chairperson of the Board shall be elected from among the Directors and shall have the powers and duties usually associated with such

office. The Chairperson of the Board shall preside over meetings of the Board of Directors, supervise activities of the Board, and serve as an ex-officio voting member of all Board committees.

Section 7.4 Vice Chairperson of the Board. The Vice Chairperson of the Board shall be elected from among the Directors and, in the absence or disability of the Chairperson of the Board, shall perform all duties of the Chairperson of the Board and, when so acting, shall have all powers of and be subject to all restrictions upon the Chairperson of the Board. In the absence of both the Chairperson of the Board and the Vice Chairperson of the Board, the Board shall select one of its members, other than the Secretary or Treasurer, to act as Chairperson of the Board.

Section 7.5 Secretary. The Secretary shall be elected from among the Directors and shall keep or cause to be kept at the principal office or at such other place as the Board of Directors may determine, a book of minutes of all meetings of the Directors, whether annual, regular or special, with the time and place of the meeting, the notice given, the names of those present at the meeting, the proceedings thereat and, if a special meeting, how it was authorized. The Secretary shall give or cause to be given notice of all meetings of the Board of Directors required by these Bylaws or by law. He or she shall keep the corporate seal in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

Section 7.6 Treasurer. The Treasurer shall be elected from among the Directors and shall have the powers and duties usually associated with such office, subject to limitation or extension by the Board of Directors. The Treasurer shall keep and maintain or cause to be kept and maintained adequate and correct accounts of the properties and business transactions of this Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains and losses. The books of account shall at all times be open to inspection by any Director, or the Corporate Member. The Treasurer shall submit or cause to be submitted to the Board of Directors annual statements of receipts and expenditures.

Section 7.7 President and Chief Executive Officer. The President and the Chief Executive Officer shall be the chief executive officer of this Corporation, shall serve as a member of the Corporation's executive team, and shall be an employee of the Corporation, except that during any period that the Management Agreement is in effect he or she shall be an employee of the manager thereunder. Subject to the powers of the Manager (during any time that the Management Agreement is in effect), the President/CEO shall be appointed by and subject to the removal of the Board of Directors. He or she shall report to and be accountable to the Manager (during any time that the Management Agreement is in effect), and report to, be accountable to and subject at all times to the ultimate supervision and authority of the Corporation's Board of Directors, shall have general supervision, direction and control of the business and non-Director officers of this Corporation and shall be held responsible for the proper functioning and management of this Corporation. The President and Chief Executive Officer shall possess the degree of education and experience appropriate to the proper discharge of these responsibilities and, if a management or employment agreement may be in effect, meet all of the requirements set forth in the management or employment agreement. The Board of

Directors shall initiate and conduct periodic performance reviews of the President and Chief Executive Officer. Subject to the direction of the Manager (during any time that the Management Agreement is in effect) and the ultimate supervision and control of this Corporation's Board of Directors, the President and Chief Executive Officer shall organize the administrative functions of this Corporation, delegate duties and establish formal means of accountability on the part of his or her subordinate officers. The President and Chief Executive Officer may be an ex-officio voting member of all Advisory Committees, if so determined by the Board of Directors. He or she shall have the general powers and duties of management usually vested in the chief executive officer under the California Nonprofit Public Benefit Corporation Law and shall have other powers and duties as may be prescribed by this Corporation's Board of Directors, these Bylaws, and the System Authority Matrix.

These powers and duties shall include, but not be limited to, the following:

- A. to support and assist this Corporation in furtherance of its charitable purposes, consistent with the established philosophy and mission of the Health System;
- B. to direct and implement the goals, policies and programs established for the Health System;
- C. to promote a high standard of quality of care provided by the Health System through setting goals and objectives for quality improvement;
- D. to act as the representative of this Corporation to the public as well as to governmental and voluntary organizations;
- E. to make policy proposals to the Board of Directors and the Corporation's executives;
- F. to assume responsibility for strategic planning, financial planning, physical facilities, site development and program planning to meet the health needs of the community;
- G. to report to the Board of Directors and the Corporation's executives on the performance of this Corporation as well as on appropriate federal, state and local developments that affect health care therein;
- H. to attend all meetings of the Board of Directors and committees thereof, except as otherwise determined by the Board of Directors;
- I. to serve on such Advisory Board committees as determined by the Board of Directors;
- J. to assure proper day-to-day administration of this Corporation;

K. to prepare an annual budget and periodically report to the Board of Directors and to the Corporation's executives on this Corporation's financial affairs and condition;

L. in consultation with the Board of Directors, to appoint each Vice President of the Corporation, to set the terms and conditions of employment of the Vice Presidents and to evaluate their performance periodically, to assure the proper selection, employment, control and discharge of employees of the Corporation and the executives and officers of the Affiliates and Subsidiaries, and the development and maintenance of this Corporation's written personnel policies and practices;

M. to assure proper maintenance and to keep the physical properties of this Corporation in a good state of repair; and

N. to assure proper business management of this Corporation so that funds are collected and expended in keeping with sound business practice and with charity.

Section 7.8 Chief Financial Officer. The Chief Financial Officer shall, in coordination with the Treasurer, and according to the direction of the Board of Directors and the President/CEO, keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, and fund balance. The books of account shall at all reasonable times be open to inspection by any Director. The Chief Financial Officer shall deposit all monies and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. He or she shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the President and Chief Executive Officer, or the Directors whenever they request it, an account of all transactions as Chief Financial Officer and of the financial condition of the Corporation, and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws. Subject to the powers of the Manager (during any time that the Management Agreement is in effect), the Chief Financial Officer shall be appointed by and shall be subject to removal by the President and Chief Executive Officer of the Corporation. He or she shall report to and be accountable to the Board of Directors of this Corporation, the President and Chief Executive Officer, and the Manager (during any time that the Management Agreement is in effect).

Section 7.9 Reporting Relationship of Certain Corporate Officers to the Board of Directors. Persons serving from time to time in the positions of Corporate Responsibility Officer and Vice President and General Counsel shall report to and be accountable to the Board of Directors and the President and Chief Executive Officer and each of them shall be entitled to confidential access to the Chairperson and other members of the Board of Directors as necessary or advisable to carry out such person's duties in such position.

Section 7.10 Resignation. Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the

acceptance of the resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

Section 7.11 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

## ARTICLE VIII

### COMMITTEES

#### Section 8.1 Generally.

A. The Board of Directors may by resolution establish (1) Committees of the Board which shall have legal authority to act for this Corporation and, as determined by the Board of Directors, the Health System, and (2) Advisory Committees. Committees may be either standing or special. Members of all committees shall serve at the pleasure of the Board. Any Committee of the Board which shall have legal authority to act for this Corporation, to the extent provided in a resolution of the Board, shall have all authority of the Board, except with respect to:

(1) The approval of any action for which the California Nonprofit Public Benefit Corporation Law or these Bylaws also require approval of a majority of this Corporation's Board of Directors;

(2) The filling of vacancies on the Board of Directors or on any committee that has the authority of the Board;

(3) The amendment or repeal of any resolution of the Board of Directors that by its express terms is not so amendable or repealable;

(4) The appointment of other committees or members thereof;

(5) The approval of any self-dealing transaction, except as provided in Section 5233(d)(3) of the California Nonprofit Public Benefit Corporation Law;

(6) Any decision with respect to the retention or termination of the Chief Executive Officer, approval or amendment of any operating or capital budget, approval of the annual audit, amendment of these Bylaws, any unbudgeted capital expenditure, or any decision with respect to the acquisition, divestiture, sale or other disposition of Corporation's assets, or the creation of any new Corporation liabilities, or the exercise of any reserved power held by the Corporation with respect to any of the Affiliates.

B. The Board of Directors shall have the power to prescribe the manner in which proceedings of any committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless these Bylaws, the Board or such committee shall otherwise provide, the regular and special meetings and other actions of any committee shall be governed by the provisions of Article VII of these Bylaws. Each committee shall keep minutes of its proceedings and shall report the same to the Board from time to time, as the Board of Directors may require. The Board of Directors shall review the charter of each committee governed by a charter at least once every two years.

Section 8.2 Committees of the Board. Only Directors may be appointed as voting members of Committees of the Board. Each Committee of the Board shall consist of five (5) or more Directors, with at least one (1) member of each Committee being a BM Director Appointee. The Chairperson and members of Committees of the Board shall be appointed by the Board of Directors. The Board may designate one or more Directors as alternate members of any such committee, who may replace any absent member at any meeting of the committee.

Section 8.3 Advisory Committees. Advisory Committees may consist of two or more persons and may consist of Directors only, Directors and non-Directors, or non-Directors only, and may include non-voting members and alternate members. The Chairperson and members of Advisory Committees shall be appointed by the Chairperson of the Board or the Board of Directors. Advisory Committees shall have no legal authority to act for this Corporation.

Section 8.4 Executive Committee.

A. There may be an Executive Committee which, if established, shall consist of such members of the Board of Directors as the Board may designate, and shall include at least one BM Director Appointee. The Chairperson of the Executive Committee shall be the person then serving as Chairperson of the Board. The Executive Committee shall have authority to act for this Corporation, subject to the provisions of Section 8.1(A) of these Bylaws, as to those matters which may arise and cannot be handled in the ordinary course of regular or special meetings of the Board of Directors.

B. The establishment of an Executive Committee and the delegation of authority to it shall not operate to relieve the Board of Directors or any individual Director of any responsibility imposed on it or him or her by law, by the Articles of Incorporation of this Corporation or these Bylaws.

C. The Executive Committee shall meet at such times as it deems necessary, provided that reasonable notice of all meetings of the Executive Committee shall be given to its members and no act of the Executive Committee shall be valid unless approved by the vote of a majority, or by the unanimous written consent, of its members.

Section 8.5 Audit Committee. In a fiscal year in which the Corporation's gross revenue is \$2,000,000 or more, the Corporation shall appoint an audit committee (the "Audit Committee"), shall hire an independent auditor, and shall have such auditor prepare an audited

financial statement. Such \$2,000,000 threshold excludes grants received from and contracts and services with government entities for which the governmental entity requires an accounting of funds received.

A. Members. The Audit Committee may include non-Board members, but it may not include any members of the staff, the President/CEO, or the CFO. If the Corporation has a Finance Committee, it shall be separate from the Audit Committee. The Audit Committee may include members of the Finance Committee, but such overlapping members shall constitute less than half of the Audit Committee and the chairperson of the Audit Committee may not be a member of the Finance Committee. Any person who has any material financial interest in any entity doing business with the Corporation may not serve on the Audit Committee. Each member of the Audit Committee shall serve as such until such member's successor shall be appointed by the Board of Directors. In the event that any member of the Audit Committee shall resign or cease to be a Director of the Corporation, the vacancy thus caused shall be filled by the Board. The Audit Committee shall be an Advisory Committee and shall operate in accordance with this Section 8.5 and the charter adopted by the Board of Directors as in effect from time to time. The Audit Committee shall consist of not fewer than three members, all of whom shall be or shall be capable of becoming familiar with basic financial statements and accounting principles, and all of whom shall be deemed by the Board of Directors to be free of any relationship that would interfere with independent judgment. The Audit Committee shall meet at least quarterly, and shall meet at least annually with the outside auditor or auditors of the Corporation in the absence of all members who are employees of the Corporation or any Affiliate controlled by the Corporation.

B. Duties of the Audit Committee. Subject to the supervision of the Board, the Audit Committee shall exercise the following powers, responsibilities, and duties:

- (1) To make recommendations to the Board regarding the appointment, retention, and termination of the independent auditor for the corporation and the Affiliates;
- (2) To negotiate the auditor's compensation;
- (3) To confer with the auditor to satisfy its members that the financial affairs of the corporation and the Affiliates are in order;
- (4) To review the audit and decide whether to accept it; and
- (5) To assure that any non-audit services performed by the auditor conform to the applicable independent standards and to approve such nonaudit services.

C. Compensation. No member of the Audit Committee shall receive compensation for serving on the Audit Committee. An Audit Committee member may be reimbursed for reasonable expenses incurred in attending such meetings.

D. Control by the Board. The Audit Committee shall be subject at all times to the control of the Board, which shall have the power to revise or alter any action taken by the Audit Committee; provided, however, that no rights of third parties shall be affected thereby.

Section 8.6 Financial Statements Must Be Made Available. If the Corporation prepares an audited financial statement (either in accordance with Section 8.5 above or otherwise), such audited financial statement shall be made available for inspection by the California Attorney General and by all members of the public no later than nine months after the close of the relevant fiscal year in the same manner as the corporation's Internal Revenue Service Form 990. Each annual financial statement shall be made available to the public for three years.

Section 8.7 Nominating Committee. The Nominating Committee shall be a standing advisory committee and shall be composed of five (5) Directors appointed by the Chairperson, including one BM Director Appointee. The Nominating Committee shall have the authority and responsibility to:

A. Recruit, screen, and evaluate candidates for Directors of this Corporation and other entities in which the Corporation has the right or power to appoint directors or managers and shall solicit recommendations and input from all Directors, BlueMountain Capital Management, LLC, and Manager for nominees to the Board of Directors;

B. Nominate Director nominees to the Board of Directors, and of other entities for which this Corporation has the right to appoint directors or managers; and

C. Perform such other functions as may be assigned to it by the Board of Directors.

Section 8.8 Executive Compensation Review and Approval. During any period that the President/CEO and CFO are employed by the Corporation, rather than the Manager, the Board, or any authorized Committee of the Board, shall review and approve the compensation, including benefits, of the President/CEO and the CFO to ensure that each such officer's compensation is just and reasonable. Such review and approval shall occur when the officer is initially hired; whenever the officer's term of employment is renewed or extended, and when the officer's compensation is modified, unless such modification applies to substantially all employees.

Section 8.9 Term of Office. The Chairperson and each member of a standing committee shall serve until the next election of Directors and until his or her successor is appointed or until such committee is sooner terminated or until he or she is removed, resigns or otherwise ceases to qualify as a member of the committee. The Chairperson and each member of



a special committee shall serve for the life of the committee unless they are sooner removed, resign or cease to qualify as members of such committee.

Section 8.10 Vacancies. Vacancies on any committee may be filled for the unexpired portion of the term in the same manner as provided in the case of original appointments.

Section 8.11 Quorum. At all committee meetings, a majority of committee members then serving, but not less than three (3), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of committee members present, whether or not a quorum, may adjourn any committee meeting to another time and place. The act of a majority of the committee members present at a meeting at which there is a quorum shall be the act of the committee. Notwithstanding previous provisions of this Section, the committee members present at a meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of committee members, so long as any action taken is approved by at least a majority of the required quorum for such meeting.

## ARTICLE IX

### GENERAL PROVISIONS

Section 9.1 Voting Interests. The Corporation may vote any and all shares held by it in any other corporation and may exercise any and all membership rights held by it in any other corporation. Such action shall be undertaken or evidenced on behalf of this Corporation by such officer, agent or proxy as the Board of Directors may appoint or, in default of any such appointment, by the Chairperson of the Board or by an officer who is also a Director and, in such case, such person may likewise appoint a proxy to vote shares.

Section 9.2 Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to this Corporation and any and all securities owned or held by this Corporation requiring signature for transfer shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by the Board of Directors.

Section 9.3 Execution of Contracts. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute any instrument in the name of and on behalf of this Corporation and such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors or by the System Authority Matrix, no officer, agent or employee shall have any power or authority to bind this Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 9.4 Inspection of Corporate Records. The accounting books and records of this Corporation and the minutes of proceedings of this Corporation's Board of Directors and Committees shall be open to inspection upon the written request of any Director at any

reasonable time and for any purpose reasonably related to the interests of the Director. Such inspection may be made in person or by an agent or attorney.

Section 9.5 Annual Report. The Board of Directors shall cause an annual report to be sent to each Director of this Corporation no later than one hundred twenty (120) days after the close of this Corporation's fiscal or calendar year. Such annual report shall be prepared in conformity with requirements of the California Nonprofit Public Benefit Corporation Law.

Section 9.6 Dissolution. The property and assets of this Corporation are irrevocably dedicated to charitable, educational and scientific purposes. Upon the winding up and dissolution of this Corporation, its assets remaining, after payment or adequate provision for payment of all debts and obligations of this Corporation, shall be distributed in accordance with the dissolution provisions set forth in this Corporation's Articles of Incorporation.

Section 9.7 Fiscal Year. The fiscal year of this Corporation shall begin on the first day of July each year and end on June 30th of the following year.

Section 9.8 Review of Bylaws. At least once every two (2) years, the Board of Directors shall review these Bylaws and recommend changes.

## ARTICLE X

### INDEMNIFICATION AND INSURANCE

Section 10.1 Indemnification. To the full extent permitted by law and in the manner provided by law, this Corporation may, and if the law requires it shall, indemnify against liability and hold harmless any person who was or is a party to or is threatened to be a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a Director, officer, employee or agent of this Corporation when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise. The foregoing rights of indemnification shall not be deemed to be exclusive of any other rights to which such person may be entitled under applicable law, and shall continue as to a person who has ceased to be a Director, officer, employee, or agent of this Corporation and shall inure to the benefit of the estate, executors, administrators, heirs, legatees or devisees of any such person to the extent such action, suit or proceeding survives the death of such person.

Section 10.2 Payment of Expenses. This Corporation may pay expenses, including attorneys' fees, incurred in defending any action, suit or proceeding referred to in this Article in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case and as permitted by law.

Section 10.3 Insurance. This Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of this Corporation

when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise, against any claim or liability asserted against such person and incurred in any such capacity, or arising out of such person's status as such, whether or not this Corporation would be required or would have the power to indemnify such person against such liability under this Article or otherwise.

## ARTICLE XI

### MAINTAINING A UNIFIED HEALTH SYSTEM

Section 11.1 Generally. In order to establish the relationships among organizations in the Health System which are necessary to maintain a unified system, this Corporation shall require that the governing document or documents of any entity of which this Corporation is the sole corporate member or controlling organization contain the following:

- A. Provisions which reserve to this Corporation the powers over such entity, as may be required by applicable Health System policies;
- B. Provisions which reserve to such entity powers over organizations it controls, as may be required by applicable Health System policies; and
- C. Provisions which require such entity to require that the governing document or documents of organizations it controls contain a provision which reserves to this Corporation, the powers set forth in these Bylaws, the governing document or documents of such entity or applicable Health System policies (including the System Authority Matrix). The term "governing document or documents," is used in this Article as a generic form to describe the organizational documents by which an entity is legally formed in a particular state and includes, but is not limited to, articles of incorporation, bylaws, governing resolutions, articles of partnership, joint venture agreements, and any other document which creates or governs the organization or entity.

Section 11.2 Exercise of Reserved Powers. All action by this Corporation as the corporate member or controlling entity of an Affiliate shall be by this Corporation's Board of Directors.

## ARTICLE XII

### GENDER AND NUMBER

Words used herein regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

## **ARTICLE XIII**

### **AMENDMENTS**

These Bylaws or any part thereof may be amended or repealed or new Bylaws may be adopted by the affirmative vote of a majority of the Directors then in office.

**Conditions to Change in Control and Governance of St. Vincent Medical Center<sup>1</sup> and Approval of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Certain Funds Managed by BlueMountain Capital Management, LLC<sup>2</sup>, and Integrity Healthcare, LLC**

**I.**

These Conditions shall be legally binding on Daughters of Charity Ministry Services Corporation, a California nonprofit religious corporation, Daughters of Charity Health System, a California nonprofit religious corporation, Verity Health System of California, Inc., a California nonprofit public benefit corporation, St. Vincent Medical Center, a California nonprofit religious corporation, St. Francis Medical Center, a California nonprofit religious corporation, O'Connor Hospital, a California nonprofit religious corporation, Saint Louise Regional Hospital, a California nonprofit religious corporation, and Seton Medical Center, a California nonprofit religious corporation, St. Francis Medical Center of Lynwood Foundation, a California nonprofit religious corporation, St. Vincent Foundation, a California nonprofit religious corporation, Seton Medical Center Foundation, a California nonprofit religious corporation, Saint Louise Regional Hospital Foundation, a California nonprofit religious corporation, O'Connor Hospital Foundation, a California nonprofit religious corporation, Caritas Business Services, a California nonprofit religious corporation, Verity Business Services, a California nonprofit public benefit corporation, DCHS Medical Foundation, a California nonprofit religious corporation, Verity Medical Foundation, a California nonprofit public benefit corporation, St. Vincent de Paul Ethics Corporation, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Marillac Insurance Company, Ltd., a Cayman Islands corporation, DePaul Ventures, LLC, a California limited liability company, DePaul Ventures – San Jose ASC, LLC, a California limited liability company, DePaul Ventures – San

---

<sup>1</sup> Throughout this document, the term “St. Vincent Medical Center” shall mean the general acute care hospital located at 2131 West Third Street, Los Angeles, CA 90057, and any other clinics, laboratories, units, services, or beds included on the license issued to St. Vincent Medical Center by the California Department of Public Health, effective January 1, 2015, unless otherwise indicated.

<sup>2</sup> The term “Certain Funds Managed by BlueMountain Capital Management, LLC” shall mean the following: BlueMountain Guadalupe Peak Fund, L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Summit Opportunities Fund II (US) L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BMSB L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Foinaven Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Logan Opportunities Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, and BlueMountain Montenvers Master Fund SCA SICAV-SIF, a Luxembourg corporate partnership limited by shares, by BlueMountain Capital Management, LLC, its investment manager.

Jose Dialysis, LLC, a California limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, the above-listed entities whose corporate status will be changed from a California nonprofit religious corporation to a California nonprofit public benefit corporation, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Vincent Medical Center, or the real property on which St. Vincent Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Vincent Medical Center, and any and all current and future lessees and owners of the real property on which St. Vincent Medical Center is located.

These Conditions shall be legally binding on the following entities, as defined in Operating Asset Purchase Option Agreement, Operating Asset Purchase Agreement, Real Estate Purchase Option Agreement, and the Real Estate Purchase Agreement, when the closing occurs on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement: the Option Holders, Purchaser and its Affiliates, "OpCo" a Delaware limited liability company, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, and "PropCo" a Delaware limited liability company that will elect to be treated for tax purposes as a real estate investment trust, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, Integrity Healthcare, LLC, a Delaware limited liability company, Integrity Healthcare Blocker, LLC, a Delaware limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, managing member, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Vincent Medical Center, or the real property on which St. Vincent Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Vincent Medical Center, and any and all current and future lessees and owners of the real property on which St. Vincent Medical Center is located.

## II.

The transaction approved by the Attorney General consists of the System Restructuring and Support Agreement dated July 17, 2015, Amendment No. 1 to System Restructuring and Support Agreement, and any agreements or documents referenced in or attached to as an exhibit or schedule and any other documents referenced in the System Restructuring and Support Agreement and Amendment No. 1 to System Restructuring and Support Agreement including, but not limited to:

- a. Transitional Consulting Services Agreement dated July 17, 2015;
- b. Health System Management Agreement with Integrity Healthcare, LLC;
- c. Debt Facility Commitment Letter dated July 17, 2015, signed by all the funds listed in footnote 2 and BlueMeridian Capital, LLC;
- d. Operating Asset Purchase Option Agreement;
- e. Operating Asset Purchase Agreement;

- f. Real Estate Purchase Option Agreement;
- g. Real Estate Purchase Agreement;
- f. Information Technology Lease Agreement; and
- g. Deposit Escrow Agreement dated July 17, 2015.

All the entities listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the above agreements shall fulfill the terms of these agreements or documents and shall notify and obtain the Attorney General's approval in writing of any proposed modification or rescission of any of the terms of these agreements or documents. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General's approval.

### III.

For fifteen years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center, and all future owners, managers, lessees, licensees, or operators of St. Vincent Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. Vincent Medical Center;
- (b) Transfer control, responsibility, management, or governance of St. Vincent Medical Center. The substitution or addition of a new corporate member or members of St. Vincent Medical Center or Verity Health System of California, Inc. that transfers the control of, responsibility for or governance of St. Vincent Medical Center, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of St. Vincent Medical Center or Verity Health System of California, Inc., or any arrangement, written or oral, that would transfer voting control of the members of the governing body of St. Vincent Medical Center or Verity Health System of California, Inc., shall also be deemed a transfer for purposes of this Condition.

#### IV.

For five years from the closing date of the System Restructuring and Support Agreement unless otherwise stated, St. Vincent Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide the following health care services at current<sup>3</sup> licensure, types, and/or levels of services:

- a. Twenty-four hour emergency medical services, including a minimum of 8 emergency beds/stations and 6 Fast Track treatment stations, and the requirements set by the County of Los Angeles Emergency Medical Services for 911 Receiving Hospitals;
- b. Acute rehabilitation services, including a minimum of 19 licensed acute rehabilitation beds;
- c. Intensive care/critical care services, including a minimum of 30 licensed intensive care beds;
- d. Cardiac services, including cardiac surgery and a minimum of 4 cardiac catheterization labs;
- e. Cancer services, including radiation therapy;
- f. Gastroenterology services;
- g. Imaging and laboratory services;
- h. Nephrology services, including end stage renal disease program, acute inpatient dialysis unit, and hemodialysis treatments;
- i. Neurology and neurotology services, including neurosurgery;
- j. Orthopedics, joint replacement, and spine care services;
- k. Transplant services, including kidney and multi-organ transplant procedures for kidney/pancreas double transplants; and
- l. Outpatient dialysis services within 5 miles of St. Vincent Medical Center by either (1) operating St. Vincent Dialysis Center, or (2) transferring St. Vincent Dialysis Center to a separate entity and requiring that entity to operate it for 5 years from the closing date of the System Restructuring and Support Agreement and to participate in the Medi-Cal and Medicare programs as required in Condition VII, or (3) ensuring that a third party is operating an outpatient dialysis center(s) at current levels for 5 years from the closing date of the System Restructuring and Support Agreement and that such center(s) participate in the Medi-Cal and Medicare programs as required in Condition VII.

St. Vincent Medical Center shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

---

<sup>3</sup>The term “current” or “currently” throughout this document means as of January 1, 2015.



## V.

If St. Vincent Medical Center provides obstetrical services within five years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall also provide reproductive health services including such services prohibited by the “Ethical and Religious Directives for Catholic Health Care Services” as determined by the United States Conference of Catholic Bishops.

## VI.

For five years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall either: (1) operate the 1206(d) clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures (e.g., 1206(l) Medical Foundation), or (2) sell the 1206(d) clinics (listed below) with the same number of physician and mid-level provider full-time equivalents in the and require the purchaser(s) to maintain such services for 5 years from the closing date of the System Restructuring and Support Agreement and to participate in the Medi-Cal and Medicare programs as required in Condition VII, or (3) ensure that a third party is operating the 1206(d) clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the third party to maintain such services for 5 years from the closing date of the System Restructuring and Support Agreement and to participate in the Medi-Cal and Medicare programs as required in Condition VII. For any of these options, each clinic can be moved to a different location within a two-mile radius of each clinic’s current location, and St. Vincent Medical Center can utilize an alternative structure (e.g., Federally Qualified Health Center, physician office practice) in providing such services. The following 1206 (d) clinics are subject to this condition:

- a. Joint Replacement Institute, located at 2200 West 3<sup>rd</sup> Street in Los Angeles;
- b. Multi-Organ Transplant Center, located at 2200 West 3<sup>rd</sup> Street in Los Angeles;
- c. Spine Institute, located at 2200 West 3<sup>rd</sup> Street in Los Angeles;
- d. Cancer Treatment Center, located at 201 S. Alvarado Street in Los Angeles; and
- e. Cardiac Care Institute, located at 201 S. Alvarado Street in Los Angeles.

## VII.

For five years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall:

- a) Be certified to participate in the Medi-Cal program;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at St. Vincent Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly-situated hospitals offering substantially the same services, without any loss,

interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause:

- i) Local Initiative Plan: LA Care Health Plan or its successor; and
- ii) Commercial Plan: Health Net Community Solutions, Inc. or its successor.

If St. Vincent Medical Center questions whether it is being reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the Attorney General's Office with at least 120 days' notice prior to taking any action that would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.

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

### VIII.

For six fiscal years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall provide an annual amount of Charity Care (as defined below) at St. Vincent Medical Center equal to or greater than \$407,513 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by St. Vincent Medical Center in connection with the operation and provision of services at St. Vincent Medical Center. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup> St. Vincent Medical Center shall use and maintain a charity care policy that is no less favorable than St. Vincent Medical Center's current charity care policy and in compliance with California and Federal law. The planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at St. Vincent Medical Center shall be decided by the St. Vincent Medical Center Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XI.

St. Vincent Medical Center's obligation under this Condition shall be prorated on a daily basis if the closing date of the System Restructuring and Support Agreement is a date other than the first day of St. Vincent Medical Center's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any,

---

<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as . . . charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area Base Period: 1982-84=100” (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

While the Health System Management Agreement with Integrity Healthcare, LLC is in effect, if the actual amount of charity care provided at St. Vincent Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, St. Vincent Medical Center shall pay an amount equal to the deficiency as follows: 50% of the deficiency payment as a contribution to the Daughters of Charity Health System Retirement Plan (Defined Benefit Church Plan), as defined in the System Restructuring and Support Agreement, in addition to the contributions that are required by the amortization schedule and premium payments required under Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 (as amended), as set forth in section 7.3 in the System Restructuring and Support Agreement until the Defined Benefit Church Plan is fully funded, and 50% of the deficiency payment for capital expenditures as set forth in section 7.7 of the System Restructuring and Support Agreement for repairing and/or upgrading the hospital buildings and equipment including, but not limited to, seismic compliance as required in Condition XV. Such payments shall be made within four months following the end of such fiscal year.

After the closing date on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, if the actual amount of charity care provided at St. Vincent Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, St. Vincent Medical Center shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide direct health care services to residents in St. Vincent Medical Center’s primary service area (17 ZIP codes), as defined on page 62 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment(s) shall be made within four months following the end of such fiscal year.

The 2010 Federal Affordable Care Act may cause a reduction in future needs of charity care. Because of the impact of the Medi-Cal expansion in California and other effects from the 2010 Federal Affordable Care Act, the California Attorney General will consider adjusting the Minimum Charity Care Amount based on financial data submitted to OSHPD from time periods after implementation of the 2010 Federal Affordable Care Act. Any actual reduction will be considered “unforeseen” for purposes of Title 11, California Code of Regulations, section 999.5, subdivision (h). Once St. Vincent Medical Center submits its Annual Financial Disclosure Report to OSHPD for Fiscal Year 7/1/2015 to 6/30/2016, it may seek a request for an amendment of the Minimum Charity Care Amount beginning for Fiscal Year 7/1/2016 to 6/30/2017. The Attorney General’s Decision on such a request will be issued within 90 days of the submission of all of the information required in Title 11, California Code of Regulations, section 999.5, subdivision (h)(2) and all the information requested by the Attorney General’s Office.

## IX.

For six fiscal years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall provide an annual amount of Community Benefit Services at St. Vincent Medical Center equal to or greater than \$1,018,762 (the "Minimum Community Benefit Services Amount") exclusive of any funds from grants. For six fiscal years, the following community benefit programs and services shall continue to be offered:

- a) Health Benefits Resource Center or similar services; and
- b) Asian Pacific Liver Center.

The planning of, and any subsequent changes to, the community benefit services provided at St. Vincent Medical Center shall be decided upon by the St. Vincent Medical Center's Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XI.

St. Vincent Medical Center's obligation under this Condition shall be prorated on a daily basis if the effective date of the System Restructuring and Support Agreement is a date other than the first day of St. Vincent Medical Center's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at St. Vincent Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, St. Vincent Medical Center shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Vincent Medical Center's primary service area (17 ZIP codes), as defined on page 62 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

## X.

For at least five years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall maintain its contracts and any amendments and exhibits thereto with the County of Los Angeles for services, including the following:

- a. Hospital Preparedness Program Agreement;
- b. Radiation Therapy Services Agreement; and
- c. Physician Post Graduate Training Agreement.

For at least five years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall provide to the Los Angeles County Department of Health Services and Los Angeles County of Department of Mental Health information and documents related to staffing assessments, clinical guidelines, services provided, and technology needs for St. Vincent Medical Center. The goal is to ensure that St. Vincent Medical Center's decisions or changes in these areas will not be motivated by a desire to move away from serving the Medi-Cal population. Such information and documents will also be provided to the Local Governing Board.

#### **XI.**

For five years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall have a Local Governing Board of Directors. St. Vincent Medical Center's Board of Directors shall consult with the Local Governing Board of Directors prior to making changes to medical services, community benefit programs, making capital expenditures including the spending of the funds for the "Capital Commitment" set forth in section 7.7 of the Definitive Agreement and attached hereto as Exhibit 2, making changes to the charity care and collection policies, and making changes to charity care services provided at St. Vincent Medical Center. The members of the Local Governing Board shall include physicians from St. Vincent Medical Center's medical staff, St. Vincent Medical Center's Chief of Staff, one member designated by the Los Angeles County Board of Supervisors, and community representatives from St. Vincent Medical Center's primary service area (17 ZIP codes), as defined on page 62 of the Health Care Impact Report, dated December 24, 2014, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Local Governing Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

#### **XII.**

Verity Health System of California, Inc. shall reserve or expend the \$180 million capital commitment set forth in section 7.7 of the System Restructuring and Support Agreement and attached hereto as Exhibit 2.

#### **XIII.**

Verity Health System of California, Inc. shall comply with the pension obligations set forth in section 7.3 of the System Restructuring and Support Agreement. Section 7.3 of the System Restructuring and Support Agreement should be amended to include the following language:

(f) Notwithstanding any limitations set forth in the documents governing the Defined Benefit Church Plan, the Defined Contribution Church Plans, and the Multiemployer Plans, the participants of these plans have the legal right to enforce compliance of Section 7.3 against Verity Health System of California, Inc.

#### XIV.

St. Vincent Medical Center shall maintain privileges for current medical staff who are in good standing as of the closing date of the System Restructuring and Support Agreement. Further, the closing of the System Restructuring and Support Agreement shall not change the medical staff officers, committee chairs, or independence of the St. Vincent Medical Center's medical staff, and such persons shall remain in good standing for the remainder of their tenure.

#### XV.

Verity Health System of California, Inc. shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. Vincent Medical Center through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070).

Verity Health System of California, Inc. shall commit the necessary capital investment required to refurbish St. Vincent Medical Center's elevators in order to meet the City of Los Angeles' Elevator Code.

#### XVI.

Within sixty days of the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center's Board of Trustees shall replace Article of IV, Section 3, subsection (a) of its Amended and Restated Bylaws Template (attached hereto as Exhibit 3) with the following language:

(a) Number and Composition. The Board of Trustees shall generally consist of not less than five (5) nor more than seventeen (17) members, including:

i) no more than 50 percent shall be members who are in good standing on the Board of Directors of Verity Health System of California, Inc.;

ii) at least one-third shall be residents of Los Angeles County; and

iii) no members shall have either directly or indirectly, personally or through a family member have any financial relationship with BlueMountain Capital Management, LLC or any of its owned or managed affiliates or Integrity Healthcare, LLC, and may not serve as an officer, director, contractor or employee of BlueMountain Capital Management, LLC or any of its owned or managed affiliates, or Integrity Healthcare, LLC, any managed fund, or entity in which BlueMountain Capital Management, LLC has an equity stake or option to purchase, except for public companies wherein BlueMountain Capital Management, LLC has an interest of less than 10%.

St. Vincent Medical Center's Board of Trustees shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Articles Template as Exhibit 4) and Amended and Restated Bylaws within 90 days from the closing date of the System Restructuring and Support Agreement requiring these provisions and any further changes to these documents must be approved by the Attorney General.

Within sixty days of the closing date of the System Restructuring and Support Agreement, Verity Health System of California, Inc. shall adopt the same Conflict of Interest Policy currently used by Daughters of Charity Health System and its affiliates (attached hereto as Exhibit 5) except that all references to the "Corporation" in the Conflict of Interest Policy shall be amended to "Corporation or BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC" and a portion of its "Financial Interest" definition section on page 2 shall be amended to state as follows:

4. **Financial Interest:** A Director or Family member has, directly or indirectly, a current or potential

- Ownership or investment interest in; or
- Compensation arrangement with; or
- Other economic interest in any of the following:
  - i. The Corporation; or
  - ii. BlueMountain Capital Management, LLC and or any of its owned or managed affiliates and Integrity Healthcare, LLC; or
  - iii. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC has a transaction or arrangement; or
  - iv. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC is negotiating a transaction or arrangement; or
  - v. Any entity or individual that competes with the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC.

Verity Health System of California, Inc. Board of Trustees shall provide a copy of its Conflict of Interest Policy within 90 days from the closing date of the System Restructuring and Support Agreement requiring this amendment and any further changes to this document must be approved by the Attorney General.

Verity Health System of California, Inc. shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Articles Template as Exhibit 6) and the Amended and Restated Bylaws (as set forth in the attached hereto Amended and Restated Bylaws Template as Exhibit 7) within 90 days from the closing date of the System

Restructuring and Support Agreement and any further changes to these documents must be approved by the Attorney General.

If either the Verity Health System of California, Inc.'s Board of Directors or St. Vincent Medical Center's Board of Trustees provides board compensation to its members other than reimbursement for travel to and from board/trustees' meetings, it is required to obtain a fair market valuation for payment of such compensation for similarly-situated board of directors/trustees in the United States every two years.

#### **XVII.**

There shall be no restriction or limitation on providing or making reproductive health services, including such services prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops, available at St. Vincent Medical Center, its medical office buildings, or at any of its facilities. There shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at St. Vincent Medical Center. Both of these must be explicitly set forth in St. Vincent Medical Center's written policies, adhered to, and strictly enforced.

#### **XVIII.**

At least thirty days prior to the closing of the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, St. Vincent Foundation and St. Vincent Medical Center shall provide to the Attorney General's Office an accounting of all charitable assets. Within 5 days of the Attorney General's approval, St. Vincent Foundation and St. Vincent Medical Center shall transfer all charitable assets including, but not limited to, all temporary and permanently restricted funds to the California Community Foundation.

a) The funds from St. Vincent Medical Center and St. Vincent Foundation, if not previously restricted to support a specific charitable organization, will be deposited into the California Community Foundation's St. Vincent Medical Center Fund, and used to support nonprofit tax-exempt charitable organizations, clinics and facilities in providing healthcare services to residents of St. Vincent Medical Center's primary service area (17 ZIP codes) and secondary service area (17 ZIP Codes), as described on page 62 in the Healthcare Impact Report authored by Medical Development Specialists, LLC, dated December 24, 2014. (Exhibit 1.) The donated funds shall be maintained and used for the purposes specified herein for a period of at least five years.

b) If there are funds from St. Vincent Medical Center or St. Vincent Foundation previously restricted to support a specific charitable organization, such funds shall be deposited into a fund or funds at California Community Foundation restricted to continuing support for such charitable organization or organizations. Such funds are protected against obsolescence. If the purposes of any restricted fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by California Community Foundation, California Community



Foundation's Board of Directors shall have the ability to modify any restriction or condition on the use such fund.

**XIX.**

For six fiscal years from the closing date of the System Restructuring and Support Agreement, St. Vincent Medical Center shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of St. Vincent Medical Center and the Chief Executive Officer at St. Vincent Medical Center shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the St. Vincent Medical Center Board of Directors and the Local Governing Board.

**XX.**

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

**XXI.**

Once the System Restructuring and Support Agreement is closed, all parties listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the agreements listed in Condition II, are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

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

# **EXHIBIT 1**

## ANALYSIS OF THE HOSPITAL'S SERVICE AREA

### **Service Area Definition**

As a provider of specialty services that attract patients from a greater number of ZIP Codes, the Hospital has both a primary and secondary service area. The Hospital's primary service area is comprised of 17 ZIP Codes, from which approximately 45% of its inpatient discharges originated in 2014. In 2014, the Hospital's market share in the primary service area was 6%. The Hospital's secondary service area is comprised of 22 ZIP Codes, from which approximately 18% of its discharges originated in 2014. In 2014, the Hospital's market share in the secondary service area was nearly 2%. In 2014, 63% of the Hospital's discharges originated in the combined primary and secondary service areas and the Hospital's combined market share was nearly 3%.

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: 2014						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
<b>PRIMARY SERVICE AREA</b>						
90057	Los Angeles	546	6.5%	6.5%	5,309	10.3%
90026	Los Angeles	473	5.6%	12.1%	5,239	9.0%
90006	Los Angeles	412	4.9%	16.9%	5,167	8.0%
90004	Los Angeles	332	3.9%	20.9%	4,754	7.0%
90005	Los Angeles	254	3.0%	23.9%	2,694	9.4%
90018	Los Angeles	245	2.9%	26.8%	6,008	4.1%
90020	Los Angeles	225	2.7%	29.4%	2,658	8.5%
90019	Los Angeles	225	2.7%	32.1%	6,062	3.7%
90017	Los Angeles	177	2.1%	34.2%	2,208	8.0%
90029	Los Angeles	170	2.0%	36.2%	3,707	4.6%
90011	Los Angeles	154	1.8%	38.0%	9,625	1.6%
90012	Los Angeles	133	1.6%	39.6%	2,846	4.7%
90014	Los Angeles	122	1.4%	41.1%	1,373	8.9%
90013	Los Angeles	107	1.3%	42.3%	2,431	4.4%
90007	Los Angeles	100	1.2%	43.5%	2,840	3.5%
90015	Los Angeles	86	1.0%	44.5%	1,634	5.3%
90010	Los Angeles	15	0.2%	44.7%	237	6.3%
<b>PSA Subtotal</b>		<b>3,776</b>	<b>44.7%</b>	<b>44.7%</b>	<b>64,792</b>	<b>5.8%</b>
<b>SECONDARY SERVICE AREA</b>						
90037	Los Angeles	159	1.9%	1.9%	7,234	2.2%
90016	Los Angeles	140	1.7%	3.5%	5,857	2.4%
90044	Los Angeles	129	1.5%	5.1%	11,765	1.1%
90027	Los Angeles	120	1.4%	6.5%	4,433	2.7%
90033	Los Angeles	114	1.3%	7.8%	5,991	1.9%
90008	Los Angeles	97	1.1%	9.0%	4,664	2.1%
90003	Los Angeles	79	0.9%	9.9%	7,920	1.0%
90062	Los Angeles	70	0.8%	10.8%	3,915	1.8%
90031	Los Angeles	68	0.8%	11.6%	3,246	2.1%
90038	Los Angeles	68	0.8%	12.4%	2,136	3.2%
90039	Los Angeles	67	0.8%	13.2%	2,506	2.7%
90028	Los Angeles	64	0.8%	13.9%	2,956	2.2%
90043	Los Angeles	59	0.7%	14.6%	6,246	0.9%
90046	Los Angeles	55	0.7%	15.3%	4,116	1.3%
90047	Los Angeles	53	0.6%	15.9%	6,888	0.8%
90042	Los Angeles	48	0.6%	16.5%	5,606	0.9%
90065	Los Angeles	38	0.4%	16.9%	3,899	1.0%
90041	Los Angeles	37	0.4%	17.3%	2,710	1.4%
90036	Los Angeles	33	0.4%	17.7%	2,980	1.1%
91204	Glendale	14	0.2%	17.9%	2,127	0.7%
90068	Los Angeles	14	0.2%	18.1%	1,482	0.9%
90021	Los Angeles	9	0.1%	18.2%	454	2.0%
<b>SSA Subtotal</b>		<b>1,535</b>	<b>18.2%</b>	<b>18.2%</b>	<b>99,131</b>	<b>1.5%</b>
<b>PSA + SSA</b>		<b>5,311</b>	<b>62.9%</b>		<b>163,923</b>	<b>3.2%</b>
<b>Total</b>		<b>8,446</b>	<b>100.0%</b>			

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

## **EXHIBIT 2**

No such patient shall be turned away because of age, race, religion, gender, sexual orientation, payment source or inability to pay.

(c) For a period of not less than five (5) years following the Effective Time, Integrity acknowledges that DCHS will maintain the existing chapels at the Hospitals to be used for the celebration of Catholic mass and other religious services, and provide an appropriately staffed and funded pastoral care service at the Hospitals.

7.7 Capital Commitment. After the Closing, DCHS shall reserve or expend the following amounts for capital expenditures in each of the successive five (5) years immediately following the Closing Date: \$40,000,000.00 in each of the first three (3) years immediately following the Closing Date, and \$30,000,000.00 in each of years 4 and 5 immediately following the Closing Date. Notwithstanding the preceding sentence, in the event that within the first five years post-Closing, one or more of the Hospitals is sold or otherwise disassociated from DCHS, any remaining annual Capital Commitments of the remaining DCHS thereafter as set forth above, shall be reduced pro-rata based on the net revenue for such sold or disassociated Hospital(s) as included in the most recently completed audited income statement.

7.8 Intellectual Property.

(a) Except as permitted under Section 6.13 of this Agreement, Integrity hereby covenants and agrees not to use the Hospital Trademarks in any manner or in any medium or form that includes or incorporates any Retained Marks (including, without limitation, the DCHS Names). Integrity further hereby covenants and agrees that all marketing and advertising using the Hospital Trademarks after the Effective Time will be in a form that integrates the use of the name "Integrity Health System, Inc." or similar branding in connection with the use of such Hospital Trademarks in such marketing or advertising materials.

(b) Except as permitted under Section 6.13, Integrity covenants not to use the Retained Marks or any marks or domain names that are confusingly similar to the Retained Marks, or any other Retained IP, in any manner and in any medium.

(c) Except as permitted under Section 6.13, Integrity shall, as of the Effective Time, (i) discontinue the use of all corporate and trade names, letterhead and business cards that contain any Retained Marks (including, without limitation, the DCHS Names), (ii) use commercially reasonable efforts to file appropriate name change amendments with the California Secretary of State, (iii) use commercially reasonable efforts to promptly replace or modify all exterior and interior fixtures that contain or comprise building signs to remove completely any Retained Marks (including, without limitation, the DCHS Names), and (iv) shall not subsequently change such names to (or otherwise use or employ) any names which contain any Retained Marks (including, without limitation, the DCHS Names).

7.9 Actions Related to Legal Opinion from Bond Counsel. BlueMountain agrees to cooperate with and provide Orrick, Herrington & Sutcliffe LLP ("*Orrick*") with all requested documentation in order to complete the opinion described in Section 8.9, including a 501(c)(3) opinion from a firm acceptable to Orrick, and BlueMountain shall obtain any valuations

## **EXHIBIT 3**

*DRAFT TEMPLATE*

***TEMPLATE FOR DIRECT HOSPITAL OR MEDICAL CENTER SUBSIDIARIES OF  
VERITY HEALTH SYSTEM, INC.***

**AMENDED AND RESTATED  
BYLAWS OF  
[NAME]  
[HOSPITAL][MEDICAL CENTER]**

Adopted \_\_\_\_\_, 2015

Table Of Contents

	Page(s)
ARTICLE I NAME.....	1
ARTICLE II DEFINITIONS.....	1
ARTICLE III PURPOSES.....	2
ARTICLE IV OFFICES AND SEAL.....	2
ARTICLE V CORPORATE MEMBERSHIP.....	2
ARTICLE VI BOARD OF DIRECTORS.....	4
ARTICLE VII MEETINGS OF THE BOARD OF DIRECTORS.....	7
ARTICLE VIII CORPORATE OFFICERS.....	9
ARTICLE IX COMMITTEES.....	10
ARTICLE X MEDICAL STAFF.....	12
ARTICLE XI GENERAL PROVISIONS.....	18
ARTICLE XII INDEMNIFICATION AND INSURANCE.....	19
ARTICLE XIII MAINTAINING A UNIFIED HEALTH SYSTEM.....	20
ARTICLE XIV GENDER AND NUMBER.....	21
ARTICLE XV AMENDMENTS.....	18



AMENDED AND RESTATED  
BYLAWS OF  
[NAME]  
[HOSPITAL][MEDICAL CENTER]

ARTICLE I

NAME

The name of this Corporation shall be as set forth in its Articles of Incorporation.

ARTICLE II

DEFINITIONS

Section 1. Definitions. These Bylaws contain the terms “Affiliate” and “Health System.” These terms are also used in the bylaws of other entities comprising the Health System. For purposes of continuity, when used in these Bylaws, such terms shall be interpreted to give full effect to the intent of Article XIII of these Bylaws.

(a) Affiliate. The term “Affiliate” shall mean, individually, each organization that is controlled, directly or indirectly, by Verity Health System of California, Inc., a California nonprofit public benefit corporation (“Verity”), or by another organization controlled by Verity. As used in this definition, “control” shall mean (a) the status of sole corporate member of an organization; or (b) the authority to appoint, elect or approve at least a majority of the governing body of an organization.

(b) Corporate Member. The term “Corporate Member” shall mean Verity.

(c) Corporation. The term “Corporation” shall mean [NAME] Medical Center.

(d) Health System. The term “Health System” shall mean, collectively, Verity, this Corporation and the Affiliates of Verity and the Corporation.

(e) Subsidiary. “Subsidiary” shall mean an Affiliate that is under the direct control of another Affiliate.

(f) System Authority Matrix. The term “System Authority Matrix” shall mean the document as in effect from time to time which sets forth the respective responsibilities and authorities for Health System operations and decision making.

Section 2. Other Capitalized Terms. Capitalized terms used in these Bylaws and not otherwise defined herein are used herein with the meanings given them in the California Nonprofit Corporation Law.

### ARTICLE III

#### PURPOSES

Section 1. Purposes. The purposes of this Corporation are set out in its Articles of Incorporation as in effect from time to time.

### ARTICLE IV

#### OFFICES AND SEAL

Section 1. Principal Office. The principal office of this Corporation shall be in the County of [County], State of California.

Section 2. Seal. This Corporation may have a common seal inscribed with the name of this Corporation.

### ARTICLE V

#### CORPORATE MEMBERSHIP

Section 1. Corporate Membership. The sole member of this Corporation is Verity, acting through its Board of Directors or otherwise as provided in Article XIII, Section 2 of these Bylaws or the California Nonprofit Corporation Law.

Section 2. Rights and Powers of the Corporate Member. As the sole member of this Corporation under the California Nonprofit Corporation Law, the Corporate Member has all corresponding statutory rights and powers of membership. In addition, the Corporate Member has the power (which are termed the "Reserved Powers" of the Corporate Member) to take or approve the following actions:

- (a) Approve or change the mission, role and purpose of this Corporation;
- (b) Amend the Bylaws and Articles of Incorporation of this Corporation;
- (c) Authorize the Board of Directors to amend the bylaws, articles of incorporation or other organizational documents of any Affiliate;
- (d) Approve the formation, merger, dissolution, consolidation, divestiture, closure, change in corporate membership or control and reorganization of each direct Affiliate of this Corporation;
- (e) Fix the number and appoint and remove the Directors of this Corporation;

(f) Appoint and remove the Chairperson of the Board and the President and Chief Executive Officer of this Corporation and of each direct Affiliate or Subsidiary of this Corporation;

(g) Approve the merger, consolidation, reorganization or dissolution of this Corporation and the disposition of the assets of this Corporation upon dissolution;

(h) Approve the acquisition, sale, lease, mortgage, transfer or other alienation of real or personal property of this Corporation other than in accordance with the System Authority Matrix;

(i) Approve the capital and operating budgets of this Corporation or of any Affiliate controlled by this Corporation;

(j) Approve the incurrence of debt or guaranties of this Corporation other than in accordance with the System Authority Matrix;

(k) Establish policy concerning quality of care and services for the Corporation and to approve any such policies of this Corporation that are inconsistent with the System Authority Matrix;

(l) Establish policy and procedures concerning finance and resources for the Corporation and to approve any such policies or procedures that are inconsistent with such policies or procedures;

(m) Establish criteria for the long-range financial and strategic plans of the Corporation and to approve any such plans;

(n) Establish an internal auditing program and approve any material element of the internal auditing program for this Corporation that is inconsistent with the internal auditing program established by the Corporate Member;

(o) Approve capital expenditures by this Corporation or for any Affiliate controlled by this Corporation other than in accordance with the System Authority Matrix;

(p) Approve the transfer of funds, by gift or loan, between this Corporation and one or more other Affiliates of Verity and this Corporation or to any other person or entity other than in accordance with System Authority Matrix; and

(q) Approve any other action by this Corporation or for any Affiliate controlled by this Corporation that has been established by resolution of the Corporate Member as requiring its approval, including, but not limited to, any approvals of authority necessary to ensure compliance with any credit agreement, master indenture or loan agreement to which this Corporation or any Affiliate controlled by this Corporation is a party.

Section 3. Voting By Proxy. The Corporate Member may not vote by proxy.

Section 4. Appointment of Officer or Director or Others to Act on Behalf of Corporate Member. Subject to applicable law and the articles of incorporation and bylaws of the Corporate Member, the Corporate Member's board of directors may, by resolution, appoint one of more officers or directors of the Corporate Member or one or more other persons to act on its behalf, in its capacity as Corporate Member of this Corporation.

Section 5. Annual Meeting. A meeting of the Corporate Member shall be held annually for the purpose of appointing directors and to transact such other business as may be brought before such meeting. The annual meeting of the Corporate Member shall be held at such time and place as the board of directors of the Corporate Member determine from time to time.

Section 6. Action by Written Consent. Any action required or permitted to be taken at a meeting (whether annual, regular or special) by the Corporate Member under any provision of law, the Articles of Incorporation or these Bylaws may be taken without a meeting if the Corporate Member consents to such action in writing. Each such written consent shall be filed with the minutes of the proceedings of the Corporation. Such action by written consent shall have the same force and effect as a vote of the Corporate Member. Any certificate or other document filed on behalf of this Corporation relating to an action taken by the Corporate Member without a meeting shall state that the action was taken by written consent of the Corporate Member without a meeting and that the Bylaws of the Corporation authorize the Corporate Member to so act.

## ARTICLE VI

### BOARD OF DIRECTORS

Section 1. Powers. Subject to the provisions of this Corporation's Articles of Incorporation, these Bylaws, the Reserved Powers of the Corporate Member, the System Authority Matrix and the laws of the State of California, the activities and affairs of this Corporation shall be managed and conducted and all corporate powers shall be exercised by or under the direction of this Corporation's Board of Directors. To facilitate the management and conduct of this Corporation's activities and affairs, the Board of Directors shall establish corporate policies for, and formulate the basic rules and regulations governing the operation and management of, this Corporation and generally oversee and be responsible for the quality of care and the planning of services rendered by this Corporation. The Board of Directors may delegate the management and conduct of this Corporation's activities and affairs to any person or persons, management company, or committee however composed, provided that no delegation of authority by the Board of Directors to the Chief Executive Officer (as defined in Article VIII, Section 4 below); or anyone else, shall preclude the Board of Directors from exercising the authority required to meet its governance responsibility for the management and conduct of this Corporation's activities and affairs; and provided, further, that any delegation of powers of the Board may be made only to a committee of the Board consisting only of directors and shall be subject to the further limitations on Board committees set forth in Article IX, Section 1 of these Bylaws. The Board of Directors shall retain the right to rescind any such delegation.

Section 2. Reserved Powers of Verity as the Corporate Member; Final Action. Certain actions of the Board of Directors are subject to the Reserved Powers of Verity, acting in

its capacity as the Corporate Member of this Corporation, as set forth above in Article V of these Bylaws. Action by the Board of Directors of this Corporation that is subject to the approval of the Corporate Member pursuant to the Reserved Powers of the Corporate Member shall become final, binding action of the Corporation when such action has been approved or ratified by final action of the Corporate Member acting in accordance with these Bylaws and the bylaws of the Corporate Member.

Section 3. Number and Qualification.

(a) The Board of Directors shall consist of not less than three (3) nor more than seventeen (17) members, including at least one (1) person who is a member in good standing of the Board of Directors of Verity.

(b) The President and Chief Executive Officer of the Corporate Member shall serve as a member of the Board, *ex officio*.

(c) Restriction on Interested Directors. Not more than forty-nine percent (49%) of the persons serving on the Board of Directors at any time may be interested persons within the meaning of Section 5227 of the California Nonprofit Public Benefit Corporation Law. An interested person is (i) any person currently being compensated by this Corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor or otherwise, but excluding any reasonable compensation paid to a Director as Director; or (ii) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of any such person. However, any violation of the provision of this Section shall not affect the validity or enforceability of any transaction entered into by this Corporation.

Section 4. Appointment by Corporate Member. The Directors shall be appointed by Verity at each annual meeting of the Corporate Member.

Section 5. Term. Each Director (other than the President and Chief Executive Officer of the Corporate Member) shall hold office for a term of one (1) year or such other period set by the Corporate Member or until a successor is appointed and qualified or until such person sooner dies, resigns, is removed or becomes disqualified.

Section 6. Removal and Filling of Vacancies. The Board of Directors may declare vacant the office of a Director who has been declared of unsound mind by a final order of court or convicted of a felony or who has missed more than half of the meetings of the Board of Directors during any twelve-month period other than by reason of illness, or who has been found, by a final order or judgment of any court, to be in breach of any duty owed to the Corporation under Sections 5230-5239 of the California Nonprofit Public Benefit Corporation Law. In the event that such office is declared vacant, a new Director to fill the unexpired portion of the term of the Director whose office was declared vacant shall be appointed by the Corporate Member.

Section 7. Resignation. Any Director may resign at any time by delivering her or his resignation in writing to the Chairperson of the Board of Directors, the President or the Secretary or to the Board of Directors of the Corporation at its principal office; provided that, except upon

notice to the Attorney General, no director may resign if the Corporation would then be left without a duly elected Director or Directors in charge of its affairs. Such resignation shall be effective upon receipt unless specified to be effective at some other time.

Section 8. Fees and Compensation. Directors may receive such reasonable compensation (within the meaning of Internal Revenue Code Section 4958), if any, for serving as Director, and advances or reimbursement for reasonable expenses, as may be fixed or determined by the Corporate Member. Directors may receive compensation from the corporation for services rendered to it, subject to the restriction on interested Directors as set forth in Section 3(c) above of this Article VI.

Section 9. Self-Dealing Transactions. This Corporation shall not enter into self-dealing transactions. Except as provided in Section 9(a) of this Article VI, for the purpose of this Section, a self-dealing transaction means a transaction to which this corporation is a party and in which one or more of the members of its Board of Directors or officers has a material financial interest and which does not meet the requirements of Sections 9(b) or 9(c) of this Article VI. Such a member of the Board of Directors is an "interested director" for the purpose of this Section.

(a) Exceptions. The provisions of this section do not apply to any of the following:

(i) An action of the Board of Directors fixing the compensation of a member of the Board of Directors as an officer of this corporation.

(ii) A transaction which is part of a public or charitable program of this corporation if it (i) is approved or authorized by this corporation in good faith and without unjustified favoritism and (ii) results in a benefit to one or more members of the Board of Directors or their families because they are in the class of persons intended to be benefited by the public or charitable program.

(iii) A transaction, of which the interested director or directors have no actual knowledge, and which does not exceed the lesser of one percent of the gross receipts of this corporation for the preceding fiscal year or one hundred thousand dollars (\$100,000).

(b) Prior Board of Directors Approval. This Corporation may enter into a self-dealing transaction if all of the following facts are established:

(i) This Corporation entered into the transaction for its own benefit;

(ii) The transaction was fair and reasonable as to this Corporation at the time this Corporation entered into the transaction;

(iii) Prior to consummating the transaction or any part thereof the Board of Directors authorized or approved the transaction in good faith by a vote of a majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors, and with knowledge of the material facts concerning the transaction and the director's interest in the transaction. Interested directors may be counted in determining the

presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction. Except as provided in Section 9(c)(i) of this Article VI, action by a committee of the Board of Directors shall not satisfy this paragraph; and

(iv) Prior to authorizing or approving the transaction the Board of Directors considered and in good faith determined after reasonable investigation under the circumstances that this corporation could not have obtained a more advantageous arrangement with reasonable effort under the circumstances or (ii) this corporation in fact could not have obtained a more advantageous arrangement with reasonable effort under the circumstances.

(c) Subsequent Board of Directors Approval. This Corporation may enter into a self-dealing transaction if all of the following facts are established:

(i) A committee or person authorized by the Board of Directors approved the transaction in a manner consistent with the standards set forth in Section 9(b) of this Article VI;

(ii) It was not reasonably practicable to obtain approval of the Board of Directors prior to entering into the transaction; and

(iii) The Board of Directors, after determining in good faith that the conditions of subparagraphs (i) and (ii) of this subsection (c) were satisfied, ratified the transaction at its next meeting by a vote of the majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction.

## ARTICLE VII

### MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Place of Meeting. All meetings of the Board of Directors shall be held at the principal office of this Corporation or at such other place as may be designated for that purpose in the notice of the meeting or, if not stated in the notice or there is no notice, at such place as may be set by resolution of the Board.

Section 2. Annual Meeting. As soon as reasonably practicable, but no later than sixty (60) days after the annual meeting of the Corporate Member, the Board of Directors shall hold an annual meeting for the purpose of organizing the Board, electing the officers and the transaction of such other business as may come before the meeting. The date of the annual meeting shall be fixed by resolution. No notice of the annual meeting of the Board of Directors need be given.

Section 3. Regular Meetings. Regular meetings of the Board of Directors shall be held at such time as the Corporate Member may fix by resolution from time to time. No notice of regular meetings of the Board of Directors need be given.

Section 4. Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairperson of the Board or by two (2) or more Directors of this Corporation, or by the Corporate Member.

Section 5. Notice of Special Meetings. Notice of the time and place of special meetings shall be communicated personally or by telephone to each Director or sent to each Director by mail or other form of written communication (including e-mail), addressed to such Director at her or his address as it is shown on the records of this Corporation. Such notice, if mailed, shall be mailed at least seventy-two (72) hours prior to the time of the meeting, or if delivered personally, telephonically or telegraphically or by e-mail, shall be received at least forty-eight (48) hours prior to the time of the meeting.

Section 6. Waiver of Notice. Notice of a meeting need not be given to any Director who signs a waiver of notice or a written consent to hold the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 7. Quorum. At all meetings of the Board of Directors, a majority of the then serving Directors, but not less than two (2), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of the Directors present, whether or not a quorum, may adjourn any Directors meeting to another time and place. The act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, unless a greater number is required by law. Notwithstanding the previous provisions of this Section, the Directors present at a meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, so long as any action taken is approved by at least a majority of the required quorum for such meeting.

Section 8. Action Without Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all of the Directors individually or collectively shall consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as the unanimous vote of such Directors. Any certificate or other document filed on behalf of this Corporation relating to an action taken by the Board without a meeting shall state that the action was taken by written consent of the Board of Directors without a meeting and that the Bylaws of the Corporation authorize its Directors to so act.

Section 9. Telephonic Meeting. Directors may participate in a meeting of the Board through the use of conference telephone or similar communication equipment, as long as all Directors participating in such meeting can hear one another. Participation in this manner shall constitute presence in person at such meeting.

Section 10. Prohibition Against Voting by Proxy. Directors may not vote by proxy.



## ARTICLE VIII

### CORPORATE OFFICERS

#### Section 1. Officers.

(a) The officers of this Corporation shall include a Chairperson of the Board, a Vice Chairperson of the Board, a President and Chief Executive Officer ("CEO"), a Chief Financial Officer ("CFO"), a Secretary and a Chief Medical Officer ("CMO"), all of whom shall be selected in accordance with the provisions of this Article VIII. Neither the Chairperson of the Board nor the President/CEO may serve concurrently as the Secretary or CFO of this Corporation.

(b) The officers of this Corporation shall be appointed by the Corporate Member. Each shall hold office until her or his resignation or removal, other disqualification to serve or until her or his successor shall be elected and qualified.

(c) The Board of Directors may appoint such additional officers from among the members of the Board of Directors (including, for example, one (1) or more assistant Secretaries), as the business of this Corporation may require, each of whom shall serve for such period, have such authority and perform such duties as the Board of Directors from time to time may authorize.

Section 2. Removal of Officers. Any officer, other than the Chairperson of the Board, the President and CEO, the CFO and the CMO, may be removed, with or without cause, by a majority of Directors then in office, at any regular or special meeting of the Board. The Chairperson of the Board may be removed, with or without cause, only by the Corporate Member, and the President/CEO may be removed, with or without cause, only by the Corporate Member after consultation with the Board of Directors of this Corporation and the President/CEO of the Corporate Member. The CMO may be removed, with or without cause, only by the President/CEO of this Corporation with the concurrence of the President/CEO of the Corporate Member after consultation with the Board of Directors of this Corporation. The CFO may be removed, with or without cause, only by the President/CEO of this Corporation with the concurrence of the Chief Financial Officer of the Corporate Member after consultation with the Board of Directors of this Corporation. If a vacancy occurs in any office as a result of death, resignation, removal, disqualification or any other cause, the Board of Directors may delegate the powers and duties of such office, except as otherwise provided in these Bylaws, to any officer or to any Director until such time as a successor for such office has been appointed. Any officer who is also a Director shall be automatically removed as such an officer upon her or his removal as a Director in accordance with the provisions of Article VI, Section 6 of these Bylaws.

Section 3. Chairperson of the Board. The Chairperson of the Board shall be appointed by the Corporate Member in connection with the appointment of the Directors. The Chairperson of the Board shall have the powers and duties usually associated with such office. The Chairperson of the Board shall preside over meetings of the Board of Directors, supervise activities of the Board, and serve as an ex officio voting member of all Board committees.

Section 4. President and Chief Executive Officer. The President/CEO shall be the chief executive officer of this Corporation, shall be an employee of Verity, and shall serve as a member of the Verity executive team. The President/CEO shall be appointed by the Corporate Member after consultation with this Corporation's Board of Directors and the President/CEO of the Corporate Member. He or she shall serve such term as may be determined by the Board of Directors. He or she shall report to and be accountable to this Corporation's Board of Directors and to the President/CEO of the Corporate Member and shall have general supervision, direction and control of the business, employees and independent contractors of this Corporation and shall be held responsible for the proper functioning and management of this Corporation. The President/CEO shall possess the degree of education and experience appropriate to the proper discharge of these responsibilities and, if a management or employment agreement may be in effect, meet all of the requirements set forth in the management or employment agreement. The President/CEO may sign, with the Secretary or any other officer of this Corporation as authorized by this Corporation's Board of Directors, any instrument which this Corporation's Board of Directors has authorized to be executed. The Chairperson of the Board of this Corporation and the President/CEO of the Corporate Member shall initiate and conduct periodic performance reviews of the President/CEO of this Corporation, taking into account the advice and comments of this Corporation's Board of Directors. Subject to the control of this Corporation's Board of Directors and the direction of the Corporate Member, the President/CEO shall organize the administrative functions of this Corporation, delegate duties and establish formal means of accountability on the part of her or his subordinate officers. The President/CEO shall have the general powers and duties of management usually vested in the chief executive officer under the California Nonprofit Public Benefit Corporation Law and shall have other powers and duties as may be prescribed by this Corporation's Board of Directors, these Bylaws, and the policies of the Corporate Member.

Section 5. Vice Chairperson of the Board. The Vice Chairperson of the Board shall be elected from among the Directors and, in the absence or disability of the Chairperson of the Board, shall perform all duties of the Chairperson of the Board and, when so acting, shall have all powers of and be subject to all restrictions upon the Chairperson of the Board. In the absence of both the Chairperson of the Board and the Vice Chairperson of the Board, the Board shall select one of its members, other than the Secretary or CFO, to act as Chairperson of the Board.

Section 6. Secretary. The Secretary shall be appointed initially by the Corporate Member and thereafter shall be elected from among the Directors and shall keep or cause to be kept at the principal office or at such other place as the Board of Directors may determine, a book of minutes of all meetings of the Directors, whether annual, regular or special, with the time and place of the meeting, the notice given, the names of those present at the meeting, the proceedings thereat and, if a special meeting, how it was authorized. The Secretary shall give or cause to be given notice of all meetings of the Board of Directors required by these Bylaws or by law. The Secretary shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

Section 7. Chief Financial Officer. The CFO shall and according to the direction of the Board of Directors and the President/CEO, keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of this Corporation, including accounts of its assets, liabilities, receipts,

disbursements, gains, losses and capital. The CFO shall deposit all monies and other valuables in the name and to the credit of this Corporation with such depositaries as may be designated by the Board of Directors. The CFO shall disburse the funds of this Corporation as may be ordered by the Board of Directors, shall render to the President/CEO, the Directors or the Chief Financial Officer of the Corporate Member, whenever they request it, an account of all transactions and of the financial condition of this Corporation, and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws. The CFO shall be appointed by and subject to removal by the President/CEO of this Corporation as a corporate employee with the concurrence of the Chief Financial Officer of the Corporate Member after consultation with the Board of Directors of this Corporation. He or she shall serve such term as may be determined by the Board of Directors. He or she shall report to and be accountable to the President/CEO of this Corporation and the Chief Financial Officer of the Corporate Member.

Section 8. Chief Medical Officer. The CMO shall have administrative oversight over the clinical programs and related activities of each chapter of this Corporation. The CMO shall manage physician relationships and clinical provider staff, including the provision of physician support services, the conduct of physician outreach activities and this Corporation's participation in education and research activities. In addition, the CMO shall coordinate clinical quality standards. The CMO shall be appointed by and shall be subject to removal by the President/CEO of this Corporation with the concurrence of the President/CEO of the Corporate Member after consultation with the Board of Directors of this Corporation, and shall report to and be accountable to the Board of Directors of this Corporation and to the President/CEO of this Corporation and the President/CEO of the Corporate Member.

Section 9. Reporting Relationship of Certain Corporate Officers to the Board of Directors. Persons serving from time to time in the positions of Corporate Responsibility Officer and Vice President and General Counsel shall report to and be accountable to the Board of Directors and the President/CEO and each of them shall be entitled to confidential access to the Chairperson and other members of the Board of Directors as necessary or advisable to carry out such person's duties in such position.

Section 10. Resignation. Any officer may resign at any time by giving written notice to this Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation is without prejudice to the rights, if any, of this Corporation under any contract to which the officer is a party.

Section 11. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

ARTICLE IX  
COMMITTEES

Section 1. Generally.

(a) The Board of Directors may by resolution establish (1) Committees of the Board which shall have legal authority to act for this Corporation, subject to the authority of any Health System-wide committees appointed by Verity, and (2) Advisory Committees. Committees may be either standing or special. Members of all committees shall serve at the pleasure of the Board. Any Committee of the Board which shall have legal authority to act for this Corporation, to the extent provided in a resolution of the Board adopted by a majority of the Directors then in office, shall have all authority of the Board, except with respect to:

- (i) The approval of any action for which the California Nonprofit Public Benefit Corporation Law or these Bylaws also require approval of the Corporate Member, or a majority of this Corporation's Board of Directors;
- (ii) The filling of vacancies on the Board of Directors or on any committee that has the authority of the Board;
- (iii) The amendment or repeal of any resolution of the Board of Directors that by its express terms is not so amendable or repealable;
- (iv) The appointment of other Committees of the Board or members thereof; or
- (v) The approval of any self-dealing transaction, except as provided in Section 5233(d)(3) of the California Nonprofit Public Benefit Corporation Law.

(b) The Board of Directors shall have the power to prescribe the manner in which proceedings of any committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless these Bylaws, the Board or such committee shall otherwise provide, the regular and special meetings and other actions of any committee shall be governed by the provisions of Article VII of these Bylaws. Each committee shall keep minutes of its proceedings and shall report the same to the Board from time to time, as the Board of Directors may require. The Board of Directors shall review the charter of each committee governed by a charter at least once every two years.

Section 2. Committees of the Board. Only Directors may be appointed as members of Committees of the Board. Each Committee of the Board shall consist of two or more Directors. The Chairperson and members of Committees of the Board shall be appointed by the Board of Directors by resolution adopted by a majority of the Directors then in office. The Board may

designate one or more Directors as alternate members of any such committee, who may replace any absent member at any meeting of the committee.

Section 3. Advisory Committees. Advisory Committees may consist of two or more persons and may consist of Directors only, Directors and non-Directors, or non-Directors only, and may include non-voting members and alternate members. The Chairperson and members of Advisory Committees shall be appointed by the Chairperson of the Board or the Board of Directors. Advisory Committees shall have no legal authority to act for this Corporation.

Section 4. Executive Committee.

(a) There may be an Executive Committee which, if established, shall consist of some such members of the Board of Directors as the Board may designate. The Chairperson of the Executive Committee shall be the person then serving as Chairperson of the Board. The Executive Committee shall have authority to act for this Corporation, subject to the provisions of Section 1 of this Article.

(b) The establishment of an Executive Committee and the delegation of authority to it shall not operate to relieve the Board of Directors or any individual Director of any responsibility imposed on it or him or her by law, by the Articles of Incorporation of this Corporation or these Bylaws.

(c) The Executive Committee shall meet at such times as it deems necessary, provided that reasonable notice of all meetings of the Executive Committee shall be given to its members and no act of the Executive Committee shall be valid unless approved by the vote of a majority, or by the unanimous written consent, of its members.

Section 5. Finance Committee. The Finance Committee shall be an Advisory Committee and shall operate in accordance with a charter adopted by the Board of Directors as in effect from time to time. It shall consist of not fewer than four members, all of whom shall be or shall be capable of becoming familiar with basic financial statements and accounting principles, and all of whom shall be deemed by the Board of Directors to be free of any relationship that would interfere with independent judgment. The members of the Committee shall include the President and Chief Executive Officer of the Corporation, the Treasurer of the Corporation, the Chief Financial Officer of the Corporate Member, and at least one other person who is not an officer of the Corporation. The Committee shall have general surveillance over the finances of the Corporation, shall approve the annual budget of and any financial statements prepared by the Corporation, and shall make regular reports and recommendations to the Board of Directors. If there is no separate Audit Committee, the Finance Committee shall be responsible for performing the functions of the Audit Committee as set forth in these Bylaws.

Section 6. Audit Committee. The Audit Committee shall be an Advisory Committee and shall operate in accordance with a charter adopted by the Board of Directors as in effect from time to time. It shall consist of not fewer than three members, all of whom shall be or shall be capable of becoming familiar with basic financial statements and accounting principles, and all of whom shall be deemed by the Board of Directors to be free of any relationship that would

interfere with independent judgment. The Committee shall meet quarterly, and shall meet at least annually with the outside auditor or auditors of the Corporation in the absence of all members who are employees of the Corporation or any Affiliate controlled by the Corporation. The Committee shall have general surveillance over the auditing of the financial records of the Corporation, shall approve the financial statements prepared by the Corporation, and shall make regular reports and recommendations to the Board of Directors, all subject to the authority of the audit committee of Verity or any Health System-wide audit committee that may be established by Verity from time-to-time.

Section 7. Quality and Patient Safety Committee. The Quality and Patient Safety Committee shall be an Advisory Committee and shall operate in accordance with a charter adopted by the Board of Directors as in effect from time to time. The Quality and Patient Safety Committee shall consist of not fewer than three members, all of whom shall be or shall be capable of becoming familiar with basic issues and requirements affecting the quality performance of acute-care hospitals. At least one member of the Committee shall be a Director, and at least one shall be the Chief Medical Officer of the Corporation or, if none exists, the Chief of Staff or other senior physician practicing in a facility affiliated with the Corporation, appointed by the Board of Directors, and the President and Chief Executive Officer of the Corporation and the Vice President of Quality of the Corporate Member shall be each a member ex officio with vote. The Quality and Patient Safety Committee shall meet a minimum of six times a year, shall present regular reports to the Board of Directors and shall oversee the establishment and implementation of an ongoing quality assurance program in accordance with its charter, including, for example and without limitation: review of reports from the administration and the medical staff of the Corporation addressing quality performance, assessment of the impact of the Committee's oversight on quality performance, review of information regarding patient experience; evaluation of the adequacy of resources allocated to quality improvement, and monitoring of participation in national quality improvement efforts.

Section 8. Term of Office. The Chairperson and each member of a standing committee shall serve until the next election of Directors and until his or her successor is appointed or until such committee is sooner terminated or until he or she is removed, resigns or otherwise ceases to qualify as a member of the committee. The Chairperson and each member of a special committee shall serve for the life of the committee unless they are sooner removed, resign or cease to qualify as members of such committee.

Section 9. Vacancies. Vacancies on any committee may be filled for the unexpired portion of the term in the same manner as provided in the case of original appointments.

Section 10. Quorum. At all committee meetings, a majority of committee members then serving, but not less than two (2), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of committee members present, whether or not a quorum, may adjourn any committee meeting to another time and place. The act of a majority of the committee members present at a meeting at which there is a quorum shall be the act of the committee. Notwithstanding previous provisions of this Section, the committee members present at a meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of committee members, so long as any action taken is approved by at least a majority of the required quorum for such meeting.

## ARTICLE X

### MEDICAL STAFF

#### Section 1. Organization, Appointments and Hearings.

(a) The Corporation shall maintain an organized medical staff that is accountable to the Board of Directors. The Board of Directors shall have the ultimate authority and responsibility for the oversight and delivery of health care rendered by all licensed independent practitioners and other practitioners granted practice privileges at health facilities licensed in the name of this Corporation. The Board of Directors shall organize the physicians, dentists, podiatrists and such other categories as may be permitted by law and granted practice privileges at health facilities licensed in the name of this Corporation into one or more staffs ("Medical Staff") under Medical Staff bylaws approved by the Board of Directors. The Board of Directors shall also make provision for credentialing and privileging through the medical staff process of such categories of licensed independent practitioners and other practitioners as the Board of Directors may authorize under Medical Staff bylaws approved by the Board of Directors) the "Allied Health Professional Staff"). The Board of Directors shall consider recommendations of the Medical Staff and appoint to the Medical Staff and the Allied Health Professional Staff such practitioners as meet the qualifications for membership and privileges set forth in the Medical Staff bylaws. Only members of the Medical Staff may admit patients. Each member of the Medical Staff and the Allied Health Professional Staff shall have appropriate authority and responsibility for the care of her or his patients, subject to the limits of her or his licensure and privileges, as delineated by the Board of Directors, and subject to such limits as are contained in these Bylaws and in the Bylaws, Rules and Regulations of the Medical Staff.

(b) All applications for appointment to the Medical Staff and the Allied Health Professional Staff shall be in writing and addressed to the Medical Staff secretary. They shall contain full information concerning the applicant's education, licensure, practice, previous hospital experience and any history with regard to licensure and hospital privileges.

(c) All appointments to the Medical Staff and the Allied Health Professional Staff shall be for a maximum period of two (2) years, renewable by the Board of Directors upon re-application. When an appointment is denied or not renewed, or when privileges have been or are proposed to be denied, reduced, suspended or terminated, the affected practitioner shall be afforded a fair hearing and review conducted in accordance with the hearing and appeal provisions of the Medical Staff bylaws.

(d) Liaison among the Board, Administration, the Medical Staff and the Allied Health Professional Staff shall be accomplished as determined by the Board of Directors from time to time.

#### Section 2. Medical Care and Evaluation.

(a) The Medical Staff shall be responsible to the Board of Directors for providing appropriate professional care to patients and for overseeing the quality of care, treatment and services delivered by the Medical Staff and the Allied Health Professional Staff,

evaluating the competency of practitioners, delineating the privileges of members of the Medical Staff and the Allied Health Professional Staff, and providing leadership in performance improvement activities of the Corporation.

(b) The Board of Directors, in the exercise of its responsibility to establish, maintain and support an ongoing performance improvement program, shall delegate to the Medical Staff initial authority for assuring appropriate professional care by members of the Medical Staff to patients. The Medical Staff shall discharge this responsibility through a continuing review, analysis, and appraisal of the quality of care provided by members of the Medical Staff and the Allied Health Professional Staff and an appropriate response to findings. Such performance improvement activities shall be regularly reported, together with their results and recommended responses, to the Board of Directors.

(c) The Medical Staff and the Allied Health Professional Staff shall maintain adequate and accurate medical records for all patients.

(d) The Medical Staff shall make recommendations to the Board of Directors concerning:

- (i) Appointments, re-appointments and alterations to Medical Staff and Allied Health Professional Staff status;
- (ii) Granting, revocation and alteration of privileges;
- (iii) Corrective and disciplinary actions;
- (iv) All matters relating to professional competency; and
- (v) Such specific matters as may be referred to it by the Board of Directors.

### Section 3. Medical Staff Bylaws.

(a) There shall be Bylaws, Rules and Regulations for the Medical Staff setting forth its organization and government. Proposed Medical Staff bylaws, rules and regulations shall be recommended and approved by the Medical Staff and shall become effective only upon their approval by the Board of Directors, which approval shall not be unreasonably withheld.

(b) The Medical Staff Bylaws shall include procedures for:

- (i) written, well-defined criteria for appointment, precluding the possibility of discrimination according to color, national origin, race, creed, sex or age;
- (ii) appointment, reappointment, delineation of privileges, curtailment and revocation of privileges;



- (iii) an appeals mechanism for review of decisions to deny, curtail or revoke privileges;
  - (iv) a performance improvement program by which patient care is regularly evaluated and verification of this evaluation and of responsive actions taken is provided to the Board of Directors;
  - (v) attestation by signature of each practitioner that he or she will abide by the Medical Staff Bylaws, Rules and Regulations and the policies of the Corporation and Health System;
  - (vi) communication between the Board of Directors and the Medical Staff through the Executive Committee of the Medical Staff;
  - (vii) requiring that only a licensed practitioner with clinical privileges shall be directly responsible for a patient's diagnosis and treatment within the area of such practitioner's privileges; each patient's general medical condition shall be the responsibility of a physician member of the Medical Staff; each patient admitted shall receive a baseline history and physical examination by a physician or other licensee who has the requisite privileges; a physician member of the Medical Staff shall be responsible for the care of any medical problems that may be present at the time of admission or that may arise during hospitalization;
  - (viii) the selection and appointment of officers of the Medical Staff and of Medical Staff department chairpersons, all of whom shall be subject to approval of the Board of Directors;
  - (ix) restricting membership in the Medical Staff to physicians, dentists, podiatrists and, when authorized, clinical psychologists, and membership in the Allied Health Professional Staff to licensed independent practitioners in categories approved for privileges who are competent in their respective fields, worthy in character and in professional ethics; and
  - (x) maintaining self-government by the Medical Staff with respect to the professional work performed at the Corporation and periodic meetings of the Medical Staff to review and analyze clinical experience at regular intervals, with patient medical records as the basis for such review and analysis.
- (c) The Medical Staff Bylaws shall provide that:
- (i) there shall be no discrimination with respect to Medical Staff privileges or the provision of professional services against a licensed physician on the basis of whether that physician holds an M.D. or a D.O. degree; and

- (ii) whenever staffing requirements for a service mandate that the physician responsible for the service be certified or eligible for certification by an appropriate American Medical board, such position may be filled by an osteopathic physician who is certified or eligible for certification by the equivalent appropriate American osteopathic board.

Section 4. Medico-Administrative Personnel. Except as specified in written requirements for such positions, physicians and specified professional personnel engaged by this Corporation either full time or part time as employees or independent contractors in any medico-administrative positions, shall not be required to maintain membership on the Medical Staff Members of the Medical Staff in medico-administrative positions may be terminated from their contractual relationship with this Corporation according to corporate policy or according to the terms of their contracts.

## ARTICLE XI

### GENERAL PROVISIONS

Section 1. Voting Interests. Subject to the limitations of Article VI, Section 2 of these Bylaws (Reserved Powers of the Corporate Member), the Corporation may vote any and all shares or other voting securities held by it in any other corporation or other entity and may exercise any and all membership rights held by it in any other corporation. Such action shall be undertaken or evidenced on behalf of this Corporation by such officer, agent or proxy as the Board of Directors may appoint or, in the absence of any such appointment, by the Chairperson of the Board or by an officer who is also a Director and, in such case, such person may likewise appoint a proxy to vote such securities.

Section 2. Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to this Corporation and any and all securities owned or held by this Corporation requiring signature for transfer shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by the Board of Directors.

Section 3. Execution of Contracts. Except as otherwise provided in these Bylaws, and subject to the System Authority Matrix, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute any instrument in the name of and on behalf of this Corporation and such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind this Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 4. Inspection of Corporate Records. The accounting books and records of this Corporation, the minutes of proceedings of this Corporation's Board of Directors and Committees, and the minutes of proceedings of the Corporate Member acting in its capacity as member of this Corporation shall be open to inspection upon the written request by the Corporate Member or any Director at any reasonable time and for any purpose reasonably related to the

interests of the Corporate Member, or the Director, as applicable. Such inspection may be made in person or by an agent or attorney.

Section 5. Annual Report. The Board of Directors shall cause an annual report to be sent to each Director of this Corporation and to the Corporate Member, no later than one hundred twenty (120) days after the close of this Corporation's fiscal or calendar year. Such annual report shall be prepared in conformity with requirements of the California Nonprofit Corporation Law.

Section 6. Fiscal Year. The fiscal year of this Corporation shall begin on the first day of July each year and end on June 30th of the following year.

Section 7. Review of Bylaws. At least once every two (2) years, the Board of Directors shall review, or delegate to an appropriate committee the review of, these Bylaws and recommend revisions to the Corporate Member as necessary to assure their compliance with all relevant requirements for licensure and accreditation of the health care facilities of the Corporation by state agencies and The Joint Commission, respectively.

Section 8. Financial Statements Must Be Made Available. If the Corporation prepares an audited financial statement, such audited financial statement shall be made available for inspection by the California Attorney General and by all members of the public no later than nine months after the close of the relevant fiscal year in the same manner as the Corporation's Internal Revenue Service Form 990. Each annual financial statement shall be made available to the public for three years.

Section 9. Executive Compensation Review and Approval. The Board, or any authorized Committee of the Board, shall review and approve the compensation, including benefits, of the President and CEO and the CFO to ensure that each such officer's compensation is just and reasonable. Such review and approval shall occur when the officer is initially hired, whenever the officer's term of employment is renewed or extended, and when the officer's compensation is modified, unless such modification applies to substantially all employees.

## ARTICLE XII

### INDEMNIFICATION AND INSURANCE

Section 1. Indemnification. To the full extent permitted by law and in the manner provided by law, this Corporation may, and if the law requires it shall, indemnify against liability and hold harmless any person who was or is a party to or is threatened to be a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a Director, officer, employee or other agent of this Corporation when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or other agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise. The foregoing rights of indemnification shall not be deemed to be exclusive of any other rights to which such person may be entitled under applicable law, and shall continue as to a person who has ceased to be a Director, officer, employee, or other agent of this Corporation and shall inure to the benefit of

the estate, executors, administrators, heirs, legatees or devisees of any such person to the extent such action, suit or proceeding survives the death of such person.

Section 2. Payment of Expenses. This Corporation may pay expenses, including attorney's fees, incurred in defending any action, suit or proceeding referred to in this Article in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case and as permitted by law.

Section 3. Insurance. This Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or other agent of this Corporation when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or other agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise, against any claim or liability asserted against such person and incurred in any such capacity, or arising out of such person's status as such, whether or not this Corporation would be required or would have the power to indemnify such person against such liability under this Article or otherwise.

### ARTICLE XIII

#### MAINTAINING A UNIFIED HEALTH SYSTEM

Section 1. Generally. In order to ensure the relationships between organizations in the Health System that are necessary to maintain a unified system, this Corporation, in accordance with policies established by the Corporate Member, shall require that the governing document or documents of any entity of which this Corporation is the sole member or controlling organization contain the following:

(a) Provisions that reserve to this Corporation the powers over such entity as may be required by applicable Health System policies;

(b) Provisions that reserve to such entity powers over organizations it controls, as may be required by applicable Health System policies; and

(c) Provisions that require such entity to require that the governing document or documents of organizations it controls contain a provision that reserves to this Corporation, to the Corporate Member of this Corporation or to such entity, as the case may be, the powers set forth in these Bylaws, the governing document or documents of such entity or applicable Health System policies. The term "governing document or documents" is used in this Article as a generic term to describe the organizational documents by which an entity is legally formed in a particular state and includes, but is not limited to, articles of incorporation, bylaws, governing resolutions, articles of partnership, joint venture agreements, operating agreements and any other document that creates or governs the organization or entity.

Section 2. Exercise of Reserved Powers. All action by this Corporation as the sole member or controlling person of an Affiliate shall be taken by this Corporation's Board of Directors.

## ARTICLE XIV

### GENDER AND NUMBER

Words used herein regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

## ARTICLE XV

### AMENDMENTS

These Bylaws or any part thereof may be amended or repealed or new Bylaws may be adopted by the affirmative vote of the Corporate Member.

**EXHIBIT 4**

*Draft*

FORM OF AMENDED AND RESTATED ARTICLES FOR DIRECT SUBSIDIARY  
HOSPITALS OF VERITY HEALTH SYSTEM OF CALIFORNIA, INC.

**AMENDED AND RESTATED  
ARTICLES OF INCORPORATION**

**OF**

**[NAME]**

The undersigned certify that:

1. 1. They are the President/CEO and the Secretary, respectively, of [NAME], a California nonprofit religious corporation (the "Corporation")
2. The Articles of Incorporation of this Corporation shall be amended and restated to read in full as set forth in Exhibit A attached hereto and incorporated herein by this reference.
3. The foregoing amendment and restatement of the Articles of Incorporation has been duly approved by the board of directors and the sole member of this Corporation.
4. This Corporation has one member.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: \_\_\_\_\_, 2015

\_\_\_\_\_  
President/CEO

\_\_\_\_\_  
Secretary

## Exhibit A

### AMENDED AND RESTATED ARTICLES OF INCORPORATION

#### ARTICLE I

The name of this Corporation is “[NAME]”

#### ARTICLE II

A. This Corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law of the State of California for public and charitable purposes. In furtherance of the foregoing, this Corporation may do all of the following: (1) establish, acquire, develop, operate, lease, manage, and maintain acute care hospitals and appurtenant facilities; (2) promote and carry on scientific research related to the delivery of health care services; (3) establish, manage, and maintain various types of health plans, utilizing health delivery systems designed and coordinated to maximize benefits to the communities served; (4) participate in any activity designed and carried on to promote the general health of the community; and (5) make donations, transfer assets, and provide other forms of aid and assistance to, for the benefit of, or in connection with Verity Health System of California, Inc., a California nonprofit public benefit corporation (“Verity”) or any of its affiliates. Notwithstanding the foregoing specific statement of purposes, the Corporation shall have and may exercise all of the power of a California nonprofit public benefit corporation, but only in furtherance of the above purposes.

B. In addition to the foregoing purposes, this Corporation is organized and operated primarily for charitable, scientific and educational purposes within the meaning of § 501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provision of any future United States Internal Revenue Law) (the “IRC”), and for scientific and charitable and educational purposes within the meaning of § 214(a)(15) of the California Revenue and Taxation Code (or the corresponding section of any future California revenue and tax law) (the “R&TC”). In furtherance of these purposes, this Corporation may:

(1) Support and foster the corporate purposes of Verity, and aid, assist and confer benefits upon Verity and its affiliates.

(2) Cooperate with health care institutions and membership institutions of Verity in their respective efforts to promote quality service at reasonable rates.

(3) Promote cooperation and the exchange of knowledge and experience within the health system established and operated by Verity.



(4) Engage in any lawful activities within the purposes and powers for which a corporation may be organized under the California Nonprofit Public Benefit Corporation Law and as may be necessary or expedient for the administration of the affairs and attainment of the purposes of this Corporation.

(5) Otherwise operate for charitable, scientific and educational purposes within the meaning of § 501(c)(3) of the IRC and within the meaning of § 214(a)(6) of the R&TC, in the course of which operation:

- (a) No part of the net earnings of this Corporation shall inure to the benefit of, or be distributable to, any private shareholder or individual, except that this Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein.
- (b) No substantial part of the activities of this Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and this Corporation shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of any candidate for public office except as authorized under the IRC and R&TC.
- (c) Notwithstanding any other provisions of these Articles, this Corporation shall not carry on any other activities not permitted to be carried on by (i) a corporation exempt from federal income tax under § 501(a) of the IRC, or by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC, or ii) by a corporation exempt from taxation under § 214 of the R&TC.

### ARTICLE III

The name and address in the State of California of this Corporation's agent for service of process is:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### ARTICLE IV

The street and mailing address of this Corporation is [ADDRESS].

#### ARTICLE V

This Corporation shall have one member (the "Corporate Member"). The Corporate Member shall be Verity.

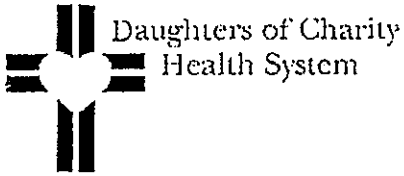
#### ARTICLE VI

The property and assets of this Corporation are irrevocably dedicated to charitable, educational and scientific purposes meeting the requirements of § 214 of the R&TC. Upon the winding up and dissolution of this Corporation, its assets remaining, after payment or adequate provision for payment of all debts and obligations of this Corporation, shall be distributed in accordance with a plan of liquidation approved by the Board of Directors to: (a) the Corporate Member, if it is organized and operated exclusively for public and charitable purposes and has established its tax exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or if for any reason it is unable to take such assets for such purpose; (b) such organization or organizations determined by the Board of Directors and organized and operated exclusively for charitable, educational or scientific purposes as shall at the time qualify as an exempt organization or organizations under § 501(c)(3) of the IRC and under § 214 of the R&TC. No assets shall be distributed to any organization if any part of the net earnings of such organization inures to the benefit of any private person or individual, or if a substantial part of the activities of such organization is the carrying on of propaganda or otherwise attempting to influence legislation, or if the organization participates in, or intervenes in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office, or if the organization carries on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under § 501(c)(3) of the IRC and meeting the requirements of § 214 of the R&TC or (ii) by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC.

#### ARTICLE VII

These Articles shall be amended only upon approval by this Corporation's Board of Directors and the Corporate Member.

## **EXHIBIT 5**



**DCHS POLICIES AND PROCEDURES**  
**SECTION 04: CORPORATE RESPONSIBILITY**

**POLICY/PROCEDURE #:** 04.01.01

**TITLE:** CONFLICT OF INTERESTS DISCLOSURES BY THE BOARD OF DIRECTORS AND BOARD COMMITTEES

**BOARD APPROVAL DATE:** May 23, 2008

**EFFECTIVE DATE:** May 23, 2008

**REVISION DATE:** December 2, 2011

A handwritten signature in black ink, appearing to read "Robert Issai".

Robert Issai, President /CEO

**Reference to Policy/Procedure #:** 04.01.02 Conflict of Interests Disclosures by Covered Associates, Physician Leaders, and Other Designated Persons

---

**Purpose**

The purpose of this policy is to protect the Corporation's interests when it is contemplating entering into a transaction or arrangement that may also benefit a Director and/or family member personally.

This policy applies to Board members, Board officers, and members of Board committees, herein referred to as "Directors". A related policy (Policy/Procedure 04.01.02 "Conflict of Interests Disclosures by Covered Associates, Physician Leaders, and Other Designated Persons") applies to associates (including employed officers and other members of senior management) and physician leaders. A conflict of interests exists when a Director has a personal financial interest that may influence the decisions that the Director makes on behalf of the Corporation.

This policy provides a systematic and ongoing method of assisting Directors in disclosing and addressing potential and actual conflicts of interests.

## Principles

Directors must exercise their fiduciary duties in a manner consistent with the mission and values of Daughters of Charity Health System (DCHS). Directors must exercise the utmost good faith and fair dealing in all transactions touching their duties to the Corporation, scrupulously avoiding conflicts of interests, whether potential, actual or perceived, to ensure that the Corporation and its Board of Directors conduct activities in a fair and unbiased manner.

## Definitions

For the purpose of this Policy/Procedure, the following definitions apply:

1. **Corporation:** DCHS and its affiliates including, but not limited to, O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, St. Vincent Dialysis Center, Seton Medical Center, Seton Coastside, Caritas Business Services, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, Seton Health Services Foundation, St. Francis Medical Center of Lynwood Foundation, St. Vincent Foundation, and the DCHS Medical Foundation.
2. **Family:** Anyone related to the Director through blood, marriage, adoption, domestic partnership, or anyone living in the Director's household.
3. **Favors:** Something offered without requesting the monetary value in return, such as discounts, meals, entertainment, tuition, seminars, and conferences.
4. **Financial Interest:** A Director or Family member has, directly or indirectly, a current or potential
  - Ownership or investment interest in; or
  - Compensation arrangement with; or
  - Other economic interest in any of the following:
    - i. The Corporation; or
    - ii. Any entity or individual with which the Corporation has a transaction or arrangement; or
    - iii. Any entity or individual with which the Corporation is negotiating a transaction or arrangement; or
    - iv. Any entity or individual that competes with the Corporation.

"Compensation" includes direct and/or indirect remuneration, as well as gifts or Favors in excess of \$300 in any calendar year.

"Ownership or investment" excludes interests of less than 1% in entities whose securities are publicly listed and have \$75 million or more of stockholders equity.

5. **Potential Conflict of Interests:** A Financial Interest is not necessarily a conflict of interests. Directors have a duty to disclose all Financial Interests for purposes of evaluation. The Board or Board committee, as applicable, shall decide whether a conflict of interests exists.

## Procedures

### 1. Duty to Disclose

Directors have an ongoing duty to disclose Financial Interests, when such Financial Interests may be potential or actual conflicts of interests. Directors have a duty to disclose Financial Interests relating to specific corporate transactions, annually, and otherwise during the year, in accordance with the procedures below.

### 2. Disclosures Related to Specific Corporate Transactions

When a potential conflict of interests arises or any situation arises in which a Director may be in doubt, the Director must disclose the material facts to the other Board members or Board committee. Disclosure of the Financial Interest shall be made prior to the Board or committee voting on such transaction or arrangement. Such disclosure may be made in person or in writing, as the Chair of the Board or committee may direct.

After disclosure of the Financial Interest and all material facts, the Director may be asked to clarify or provide additional information relevant to the Financial Interest. After all needed information is obtained by the Board or committee, the Director shall not be present during evaluation of the disclosure. The remaining Board or committee members shall decide if a conflict of interests exists.

If a determination is made that a conflict of interests does indeed exist, action may be taken as listed below.

- A. The Chair of the Board or committee may, if appropriate, appoint a disinterested Director or committee to consider alternatives to the proposed transaction or arrangement.
- B. After exercising due diligence, the disinterested members of the Board or committee shall determine whether the Corporation can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interests.
- C. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interests, the Board or committee shall determine by a majority vote of the disinterested Directors or committee members whether the transaction or arrangement is fair and reasonable to the Corporation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

- D. The Director shall not be present when the transaction is voted on and only disinterested Directors or committee members may vote to approve the transaction.
- E. At their discretion, disinterested Board or committee members may require the Director to leave the room while the proposed transaction is discussed. The disinterested members shall balance the need for independence of the determination with the need to have the Director on hand to answer questions or provide additional information to assist the Board or committee.
- F. To the extent permitted by applicable state law and the Corporation's governing documents, Directors may be counted in determining the presence of a quorum of a meeting where a potential conflict of interests has been disclosed.
- G. Prior to corporate approval of a contract or transaction in which a Financial Interest of a Director has been identified, counsel shall be consulted to determine whether any additional steps before such approval are required under California or federal law, including the California Nonprofit Corporation Law and the Internal Revenue Code and accompanying regulations.

### 3. Annual and Ongoing Disclosure Requirements for Directors

- A. **Annual Disclosure Statement:** The President and Chief Executive Officer of the Corporation or designee shall annually send the Conflict of Interests Disclosure Statement to all Directors, immediately following the annual meeting of the Board of Directors. Not later than January 31 of each year, each Director shall complete and sign a Conflict of Interests Disclosure Statement in the Exhibit to this policy.
- B. **Ongoing Requirements for Disclosures by Directors:** If any Financial Interest of a Director changes which gives rise to a potential or actual conflict of interests while the Director is serving, the Director shall promptly provide an updated Conflict of Interests Disclosure Statement to the Chair of the Board.
- C. Directors shall submit completed Conflict of Interests Disclosure Statements to the Chair of the Board. Conflict of Interests Disclosure Statements shall be made a matter of record.
- D. The information of each Conflict of Interests Statement can be compiled into a summary report for review by the Chair of the Board at their request.
- E. The Chair of the Board will address any conflict of interests issues.
- F. The Chair of the Board will report all Director conflict of interests findings (if any) and resolutions to the Board of Directors.

#### **4. Documentation of Disclosures**

- A. The minutes of the Board and all Board committees will contain the following:
  - i. The name of each Director who disclosed or otherwise was found to have a Financial Interest that was an actual or potential conflict of interests, a general statement as to the nature of the interest, the evaluation, and the Board's or committee's determination as to whether a conflict of interests in fact existed.
  - ii. The names of the persons who were present for discussions and votes relating to the transaction, a summary of the discussion that identifies whether any alternatives to the proposed transaction were considered, and a record of any votes taken in connection therewith.
- B. The President/CEO or designee shall maintain for 10 years a confidential record of the disclosure, evaluation of the facts, conclusion, and (if any) action taken to address the conflict.

#### **5. Violations of this Policy**

- A. If the Board or committee has reasonable cause to believe that a Director has failed to disclose an actual or potential conflict of interests, it shall inform the Director of the basis for such belief and afford the Director an opportunity to explain the alleged failure to disclose.
- B. After hearing the response of the Director and making such further investigation, as may be warranted, if the Board or committee determines that the Director has failed to disclose an actual or potential conflict of interests, it will take such action as it considers appropriate, which may include disciplinary and corrective action.

#### **6. Members Precluded from Voting on Matters relating to Compensation**

- A. **Voting Member of Board:** A voting member of the Board of Directors who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.
- B. **Physician Member of Board:** A physician who is a voting member of the Board of Directors and receives compensation, directly or indirectly, from the Corporation is precluded from discussing and voting on matters pertaining to the member's or another physician's compensation. No physician or physician Director, either individually or collectively, is prohibited from providing information to the Board of Directors regarding physician compensation.
- C. **Voting Member of Committee:** A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.



D. Physician Participation on Committee: Physicians who receive compensation, directly or indirectly, from the Corporation, whether as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

**7. Confidentiality Agreement**

Each Director shall sign a Confidentiality Agreement in order to protect the confidentiality of Board deliberations. A Confidentiality Agreement is included in the Conflict of Interests Disclosure Statement.

**Implementation and Review of this Policy**

This policy is to be implemented by:  
**LHM Board of Directors Chair**

This policy is to be reviewed annually for compliance and relevance by:  
**DCHS Corporate Responsibility Officer**

**Exhibit - Conflict of Interests Disclosure Statement**

Exhibit to Policy/Procedure 04.01.01

**CONFLICT OF INTERESTS DISCLOSURE STATEMENT  
AND CONFIDENTIALITY AGREEMENT  
Board of Directors and Board Committee Members**

Name: \_\_\_\_\_

Name of Corporation: \_\_\_\_\_

Title (check one):                      Director [    ]    Committee Member [    ]

Filing Period (check one):        Initial [    ]    Annual [    ]    Specific Event [    ]

Received by: \_\_\_\_\_

Date Received by Filing Officer: \_\_\_\_\_

Please answer the following questions:

**DEFINITIONS.** Capitalized terms used herein shall have the meanings set forth in the Conflict of Interests Policy 04.01.01. Refer to the "Definitions" section of the policy.

**DISCLOSURE OF FINANCIAL INTEREST.** Please fill out a new Disclosure Statement each time you become aware of a Financial Interest.

1. Do you or your Family members have, directly or indirectly, a current or potential ownership or investment interest in any of the following:
  - a. The Corporation?    Yes [    ]    No [    ]
  - b. Any entity or individual with which the Corporation has a transaction or arrangement?  
Yes [    ]    No [    ]
  - c. Any entity or individual with which the Corporation is negotiating a transaction or arrangement?    Yes [    ]    No [    ]
  - d. Any entity or individual that competes with the Corporation?  
Yes [    ]    No [    ]

("Corporation" includes DCHS and its affiliates.)

("Ownership or investment" excludes interests of less than 1% in entities whose securities are publicly listed and have \$75 million or more of stockholders equity.)

("Investment" interest includes outstanding bonds and debts.)

For each answer "yes" above, provide on a separate sheet information regarding all such interests (i.e., who holds the financial interest, your relationship to them, name of entity or individual with which the financial interest is held, nature of financial interest, dollar amount, number of shares, percentage ownership, etc.).

2. Do you or your Family members have, directly or indirectly, a current or potential compensation arrangement with any of the following:
- a. The Corporation? Yes [ ] No [ ]
  - b. Any entity or individual with which the Corporation has a transaction or arrangement? Yes [ ] No [ ]
  - c. Any entity or individual with which the Corporation is negotiating a transaction or arrangement? Yes [ ] No [ ]
  - d. Any entity or individual that competes with the Corporation? Yes [ ] No [ ]

("Corporation" includes DCHS and its affiliates.)

("Compensation" includes direct and indirect remuneration, as well as gifts or Favors in excess of \$300 in any calendar year.)

For each answer "yes" above, provide on a separate sheet information regarding all such compensation arrangements (i.e., who has the compensation arrangement, your relationship to them, name of entity or individual they have a compensation arrangement with, nature of the compensation arrangement, dollar amount, etc.).

3. **OTHER DIRECTORSHIPS.** List the names of all entities for which you serve as a member of the Board of Directors and the estimated amount of annual compensation you receive, if any, from such entities for your service as a Director (attach additional sheets if necessary):

_____	\$	_____
_____	\$	_____
_____	\$	_____
_____	\$	_____
_____	\$	_____

4. **OTHER POSITIONS.** List the names of all entities which transact business with the Corporation or compete with the Corporation and with which you serve in any capacity (other than as Director, including directive, managerial or consultative) and the estimated amount of annual compensation you receive, if any, from such entities for such service (attach additional sheets if necessary):

_____	\$	_____
_____	\$	_____
_____	\$	_____

5. **BORROWINGS.** Disclose the terms (i.e., amount, interest rate, security given, and duration) of any loans (of money or other property) where you are the borrower and the lender is a patient, individual or entity that transacts business with the Corporation.

---

---

6. **GIFTS OR FAVORS.** Disclose all cash gifts (regardless of the amount of cash) and any non-cash gifts or Favors which you or members of your Family have received from individuals or entities which transact business or seek to transact business with the Corporation.

---

---

7. **OTHER.** I hereby disclose the following circumstances which may involve a possible conflict of interests:

---

---

8. **CONFIDENTIALITY AGREEMENT.** I recognize that Board and committee meetings of the Corporation are conducted in strictest confidence and matters are discussed that are sensitive in nature and, therefore, confidential and proprietary. Accordingly, I agree in connection with any and all participation at meetings of the Board of Directors or committees of the Board to maintain all information, whether or not specifically identified as confidential and proprietary, in strictest confidence, absent specific authorization to release or disclose information to third parties by the Board of Directors or its President. By signature below, I also certify that neither I (nor any member of my Family) have disclosed or used information relating to the Corporation for the personal profit or advantage of myself or any member of my Family.

9. AFFIRMATION.

- I hereby acknowledge receiving a copy of the Conflict of Interests policy 04.01.01.
- I have read, understand, and agree to comply with the terms of the policy.
- I understand that the Corporation is a charitable organization and that, in order to maintain its federal tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.
- I have disclosed any and all interests and activities that I or members of my Family have or have taken part in, that when considered in conjunction with my position with or relation to the Corporation, might possibly constitute a conflict of interests.
- I agree to refrain from voting or using my personal influence on any matter that may represent a conflict of interests.
- I agree to refrain from accepting gifts or Favors, gratuities or entertainment intended to influence my judgment or actions concerning the business of the Corporation.
- If any situation should arise in the future which may involve me in a conflict of interests in accordance with the policy, I will promptly provide a new Disclosure Statement to the Chair of the Board.

SIGN AND DATE:

\_\_\_\_\_

Date: \_\_\_\_\_

Copy to:      President/CEO

**EXHIBIT 6**

**AMENDED AND RESTATED**  
**ARTICLES OF INCORPORATION**  
**OF**  
**DAUGHTERS OF CHARITY HEALTH SYSTEM**

The undersigned certify that:

1. They are the President/CEO and the Secretary, respectively, of Daughters of Charity Health System, a California nonprofit religious corporation (the "Corporation").
2. The Articles of Incorporation of this Corporation are amended and restated to read in full as set forth in Exhibit A attached hereto and incorporated herein by this reference.
3. The foregoing amendment and restatement of the Articles of Incorporation has been duly approved by the board of directors and the sole member of this Corporation.
4. This Corporation has one member.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: \_\_\_\_\_, 2015

\_\_\_\_\_  
President/CEO

\_\_\_\_\_  
Secretary

## Exhibit A

### AMENDED AND RESTATED ARTICLES OF INCORPORATION

#### ARTICLE I

The name of this Corporation is “Verity Health System of California, Inc.”

#### ARTICLE II

A. This Corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law of the State of California for public and charitable purposes. More specifically, the Corporation is organized and operated exclusively for the support and benefit of, to perform the functions of, or to carry out the purposes of the following organizations: O’Connor Hospital, Saint Louise Regional Hospital, St. Vincent Medical Center, St. Francis Medical Center, Seton Medical Center, Verity Medical Foundation, Verity Business Services, and St. Vincent Dialysis Center. In furtherance of the foregoing, this Corporation may do all of the following: (1) establish, acquire, develop, operate, lease, manage, and maintain acute care hospitals, physician practices, medical foundations and appurtenant facilities and related enterprises (collectively referred to as the “Verity Health System”); (2) promote and carry on scientific research related to delivery of health care services; (3) establish, manage, and maintain various types of health care enterprises, utilizing health delivery systems designed and coordinated to maximize benefits to the communities served; (4) participate in any activity designed and carried on to promote the general health of the community served by Verity Health System or any of this Corporation’s affiliates; and (5) make donations, transfer assets and provide other forms of aid and assistance to, for the benefit of, or in connection with each organization that is controlled, directly or indirectly, by this Corporation or by another organization controlled by this Corporation (each, an “Affiliate”). Notwithstanding the foregoing specific statement of purposes, the Corporation shall have and may exercise all of the power of a California nonprofit public benefit corporation, but only in furtherance of the above purposes.

B. In addition to the foregoing purposes this Corporation is organized and operated primarily for charitable, scientific and educational purposes within the meaning of §501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provision of any future United States Internal Revenue Law) (the “IRC”), and within the meaning of § 214(a)(6) of the California Revenue and Taxation Code (or the corresponding section of any future California revenue and tax law) (the “R&TC”) and, in furtherance of these purposes, this Corporation may:

- (1) Promote, support and engage in any and all educational, charitable and scientific programs which are now, or may hereafter be, established by any of the Affiliates.
- (2) Support and foster the corporate purposes of, and aid, assist and confer benefits upon the Affiliates.



- (3) Cooperate with the Affiliates in their respective efforts to promote quality service at reasonable rates.
- (4) Promote cooperation and the exchange of knowledge and experience within the Verity Health System.
- (5) Engage in any lawful activities within the purposes and powers for which a corporation may be organized under the California Nonprofit Public Benefit Corporation Law and as may be necessary or expedient for the administration of the affairs and attainment of the purposes of this Corporation.
- (6) Otherwise operate for charitable, scientific and educational purposes within the meaning of § 501(c)(3) of the IRC and within the meaning of § 214(a)(6) of the R&TC, in the course of which operation:
  - (a) No part of the net earnings of this Corporation shall inure to the benefit of, or be distributable to, any private shareholder or individual, except that this Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein.
  - (b) No substantial part of the activities of this Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and this Corporation shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of any candidate for public office except as authorized under the IRC and R&TC.
  - (c) Notwithstanding any other provisions of these Articles, this Corporation shall not carry on any other activities not permitted to be carried on by (i) a corporation exempt from federal income tax under § 501(a) of the IRC, or by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC, or (ii) by a corporation exempt from taxation under § 214 of the R&TC.

### ARTICLE III

The name and address in the State of California of this Corporation's agent for service of process is:

[TBD]

---

---

---

#### ARTICLE IV

The street and mailing address of this Corporation is 26000 Altamont Road, Los Altos, California 94022-4317.

#### ARTICLE V

This Corporation shall have no members.

#### ARTICLE VI

The property of this Corporation is irrevocably dedicated to charitable, educational, and scientific purposes meeting the requirements of § 214 of the R&TC and in Article II.B hereof. Upon the winding up and dissolution of this Corporation, its assets remaining, after payment or adequate provision for payment of all debts and obligations of this Corporation, shall be distributed in accordance with a plan of liquidation approved by the Board of Directors to such organization or organizations determined by the Board of Directors and organized and operated exclusively for charitable, educational or scientific purposes as shall at the time qualify as an exempt organization or organizations under § 501(c)(3) of the IRC and under § 214 of the R&TC. No assets shall be distributed to any organization if any part of the net earnings of such organization inures to the benefit of any private person or individual, or if a substantial part of the activities of such organization is the carrying on of propaganda or otherwise attempting to influence legislation, or if the organization participates in, or intervenes in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office, or if the organization carries on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under § 501(c)(3) of the IRC and meeting the requirements of § 214 of the R&TC or (ii) by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC.

#### ARTICLE VII

These Articles shall be amended only upon approval by this Corporation's Board of Directors.

**EXHIBIT 7**

AMENDED AND RESTATED  
BYLAWS  
OF  
VERITY HEALTH SYSTEM OF CALIFORNIA, INC.

Adopted  
as of \_\_\_\_\_, 2015

## TABLE OF CONTENTS

	<u>Page(s)</u>
Article I NAME .....	1
Article II DEFINITIONS .....	1
Article III PURPOSES AND MISSION.....	2
Article IV OFFICES AND SEAL.....	2
Article V BOARD OF DIRECTORS .....	2
Article VI MEETINGS OF THE BOARD OF DIRECTORS.....	8
Article VII CORPORATE OFFICERS .....	9
Article VIII COMMITTEES.....	14
Article IX GENERAL PROVISIONS .....	18
Article X INDEMNIFICATION AND INSURANCE .....	19
Article XI MAINTAINING A UNIFIED HEALTH SYSTEM .....	20
Article XII GENDER AND NUMBER.....	20
Article XIII AMENDMENTS .....	21

**AMENDED AND RESTATED**  
**BYLAWS OF**  
**VERITY HEALTH SYSTEM OF CALIFORNIA, INC.**

**ARTICLE I**

**NAME**

The name of this Corporation shall be as set forth in its Articles of Incorporation.

**ARTICLE II**

**DEFINITIONS**

Section 2.1 Definitions. These Bylaws contain the terms “Affiliate” and “Health System.” These terms are also used in the bylaws of the entities comprising the Health System. For purposes of continuity, when used in these Bylaws, such terms shall be interpreted to give full effect to the intent of Article XI of these Bylaws.

A. Affiliate. The term “Affiliate” shall mean, individually, each organization that is controlled, directly or indirectly, by this Corporation or by another organization controlled by this Corporation. As used in this definition, “control” shall mean (a) the status of sole corporate member of an organization; or (b) the authority to appoint, elect or approve at least a majority of the governing body of an organization.

B. Effective Date. The “Effective Date” shall mean the date of adoption of these Bylaws.

C. Health System. “Health System” shall mean, collectively, this Corporation and its Affiliates.

D. Subsidiary. “Subsidiary” shall mean an Affiliate that is under the direct control of another Affiliate.

E. System Authority Matrix. “System Authority Matrix” shall mean the document as in effect from time to time which sets forth the respective responsibilities and authorities for Health System operations and decision making.

F. Other Capitalized Terms. Capitalized terms used in these Bylaws and not otherwise defined herein are used herein with the meanings given them in the California Nonprofit Corporation Law.

## ARTICLE III

### PURPOSES

Section 3.1 Purposes. The purposes of this Corporation are set out in its Articles of Incorporation as in effect from time to time.

## ARTICLE IV

### OFFICES AND SEAL

Section 4.1 Offices. The principal office for the transaction of the business of this Corporation shall be in the County of Santa Clara, State of California. This Corporation may also have an office or offices within or without the State of California, as the Board of Directors may from time to time establish.

Section 4.2 Seal. This Corporation may have a common seal inscribed with the name of this Corporation.

## ARTICLE V

### BOARD OF DIRECTORS

Section 5.1 Powers. Subject to the provisions of this Corporation's Articles of Incorporation, these Bylaws, the System Authority Matrix, and the laws of the State of California, the activities and affairs of this Corporation shall be managed and conducted and all corporate powers shall be exercised by or under the direction of this Corporation's Board of Directors. To facilitate the management and conduct of this Corporation's activities and affairs, the Board of Directors shall establish corporate policies for, and formulate the basic rules and regulations governing the operation and management of, this Corporation. The Board of Directors may delegate the management and conduct of this Corporation's activities and affairs to any person or persons, management company, or committee however composed, provided that no delegation of authority by the Board of Directors to the President and Chief Executive Officer (as defined in Section 7.8 below), or anyone else, shall preclude the Board of Directors from exercising the authority required to meet its governance responsibility for the management and conduct of this Corporation's activities and affairs; and provided further that any delegation of powers of the Board may be made only to a committee of the Board consisting only of directors and shall be subject to the further limitations on Board committees set forth in Section 8.1 of these Bylaws. The Board of Directors shall retain the right to rescind any such delegation.

Section 5.2 Specific Authority of the Board of Directors. Without limiting the generality of the foregoing, the Board of Directors has the power and authority to take or approve the following actions, subject to the System Authority Matrix:

- A. Approve or change the mission, role and/or purpose of this Corporation;

- B. Amend, restate, or repeal the Bylaws and Articles of Incorporation of this Corporation;
- C. Approve the merger, consolidation, reorganization, or dissolution of this Corporation and the disposition of the assets of this Corporation upon dissolution;
- D. Elect and remove the Directors of this Corporation;
- E. Approve any amendment of the approval rights of the Corporation set forth in the System Authority Matrix;
- F. Establish the overall debt limit governing the incurrence of debt and guaranties by this Corporation and its Affiliates and approve the incurrence of debt and guaranties of this Corporation or any of its Affiliates other than in accordance with such policies as in effect from time to time;
- G. Approve the capital and operating budgets of this Corporation;
- H. Establish the criteria for and approve the financial and strategic plans of the Corporation;
- I. Approve the sale, transfer, substantial change in use of the assets of the Corporation to the extent required by the System Authority Matrix; and
- J. Approve the formation by this Corporation of any new corporation or other legal entity, or its participation (excluding investment in publicly-traded securities) in any corporation or other entity as a shareholder, member, partner or joint venturer.
- K. Approve the selection of the external audit firm for the Corporation and its Affiliates; and
- L. Establish and appoint, and prescribe the duties and authorities of the audit, finance, and any other committee for the Health System that would substitute or supersede such committees of the governing bodies of the Affiliates to the extent allowed by applicable law.

Section 5.3 Specific Authority of the Corporation as Sole Corporate Member of Affiliates. The Board of Directors has the power and authority, in the name and on behalf of this Corporation, to take or approve the following actions with respect to its Affiliates, subject to the System Authority Matrix:

- A. Approve the formation, merger, dissolution, consolidation, divestiture, closure, change in corporate membership or control and reorganization of each direct Affiliate of this Corporation;
- B. Appoint and remove the chief executive officer and chairperson of the board of each of the Affiliates;



C. Approve the incurrence of debt and guaranties of any of its Affiliates other than in accordance with such policies as in effect from time to time;

D. Approve the sale, transfer, substantial change in use of the assets of any Affiliate to the extent required by the System Authority Matrix;

E. Approve any other action of this Corporation or any Affiliate controlled by this Corporation that has been established by resolution of the Board of Directors as requiring its approval, including but not limited to any approvals of authority necessary to ensure compliance with any credit agreement, master indenture or loan agreement to which this Corporation or any Affiliate controlled by this Corporation is a party.

Section 5.4 Board of Directors on the Effective Date. The Board of Directors on the Effective Date shall be those persons elected or appointed as specified in Section 2.1(a) of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, this Corporation, and Certain Funds Managed by BlueMountain Capital Management, LLC (“BMCM”) dated July 17, 2015.

Section 5.5 Number and Qualification.

A. Generally. The Board of Directors shall consist of no less than five (5) members, as follows:

(1) BMCM shall have the right to appoint not more than twenty percent (20%) of the number of Directors constituting the Board of Directors at any time (each a “BM Director Appointee”) during the period of time that its affiliate, Integrity Healthcare, LLC (the “Manager”), is providing management services to the Corporation pursuant to a management services agreement; and

(2) the remainder shall be persons nominated by the Nominating Committee as provided in Section 5.4 of these Bylaws and elected by the Board of Directors (the “At-Large Directors”).

B. Qualifications.

(1) At-Large Directors recommended by the Nominating Committee shall be selected in a manner that meets any applicable requirements for the Corporation to maintain its tax-exempt status. Collectively, the At-Large Directors shall have the experience and expertise appropriate to fulfillment of their fiduciary duties as independent directors of a California nonprofit public benefit corporation. In the ordinary course, this means they will have experience in complex business operations and have had involvement in non-profit tax-exempt organizations. They will have exercised judgment in challenging business settings, and will have experience in working with teams in reaching goals. The At-Large Directors shall have demonstrated a willingness to commit support for

the mission of the Corporation and training and experience in matters relevant to service as a member of the Board of Directors through:

- (1) participation in community affairs or in the work of other charitable organizations;
- (2) ability and willingness to contribute to the achievement of the purposes of the Corporation;
- (3) awareness of the objectives of the Corporation as they relate to the health needs of the Corporation's service area; and
- (4) such other criteria as may be recommended to the Nominating Committee by the Board of Directors.

(2) BM Director Appointees and At-Large Directors shall not, either directly or indirectly, personally or through a family member, have any financial relationship with BMCM, or its owned or managed affiliates, and may not serve as an officer, director, contractor or employee of BMCM, any managed fund, or entity in which BMCM has an equity stake or option to purchase, except for public companies wherein BMCM has an interest of less than 10%.

C. Restriction on Interested Directors. Not more than forty-nine percent (49%) of the persons serving on the Board of Directors at any time may be interested persons. An interested person is (i) any person currently being compensated by this Corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor or otherwise, but excluding any reasonable compensation paid to a Director as Director; or (ii) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law or father-in-law of any such person. However, any violation of the provisions of this Section shall not affect the validity or enforceability of any transaction entered into by this Corporation.

Section 5.6 Nomination and Election of At-Large Directors. Candidates for At-Large Directors may be recommended by any member of the Board of Directors to the Nominating Committee, constituted in accordance with Section 8.7 of these Bylaws. Except as otherwise provided in this Section 5.6, and acting by the unanimous consent or vote of all of its members, the Nominating Committee shall nominate At-Large Director candidates to the Board of Directors and the Board of Directors shall elect the Directors of this Corporation at its annual meeting or at any other time designated by the Board of Directors. Notwithstanding the foregoing, if, after taking votes on two candidates for the same Director seat, the Nominating Committee does not vote unanimously for one of two initially considered candidates, then the affirmative vote needed to formally nominate a candidate to the Board of Directors may be by simple majority of the members of the Nominating Committee. The Nominating Committee shall notify the Board of Directors in writing of nominees at least ten (10) business days in advance of any regular or special meeting of the Board of Directors at which Directors are to be

elected. At the next regular or special meeting of the Board of Directors, the Board of Directors shall either elect or reject as an At-Large Director any nominees provided by the Nominating Committee. If any Director positions remain unfilled, the nomination procedure shall be repeated and new names nominated in accordance with the procedures set forth in this Section, until all Director positions are filled.

Section 5.7 Term. Each appointed Director shall hold office for a term of one (1) year or such other period as the Board of Directors may set and until his or her successor is elected or appointed and qualified. Appointed Directors may be reappointed in accordance with Section 5.5(A) of these Bylaws.

Section 5.8 Removal and Filling of Vacancies. Any or all Directors may be removed from office, with or without cause, by the Board of Directors, except that the removal of a BM Director Appointee also requires the agreement of BMCM. The Board of Directors may declare vacant the office of a Director who has been removed; who has been declared of unsound mind by a final order of court or convicted of a felony, or who has been found, by a final order or judgment of any court, to be in breach of any duty owed to the Corporation under California law. In the event a Director shall be so removed or his or her office is declared vacant, a new Director to fill the unexpired term or terms of the Director who was removed or whose office was declared vacant may be appointed by the Board of Directors from nominees selected by the Nominating Committee, except that the vacant seat of a BM Director Appointee can only be filled by a new appointment by BMCM in accordance with Section 5.5(A) of these Bylaws. At all times the Board of Directors shall have not more than twenty percent (20%) of its members appointed by BMCM.

Section 5.9 Resignation. Any Director may resign at any time by delivering her or his resignation in writing to the Chairperson of the Board of Directors, or the Secretary or to the Board of Directors of the Corporation at its principal office; provided that, except upon notice by the Attorney General, no Director may resign if the Corporation would then be left without a duly elected Director or Directors in charge of its affairs. Such resignation shall be effective upon receipt unless specified to be effective at some other time.

Section 5.10 Compensation and Expenses. Directors may receive such reasonable compensation (within the meaning of Internal Revenue Code Section 4958), if any, for serving as Director, and advances or reimbursement for reasonable expenses, as may be fixed or determined by the Board of Directors. Directors may receive compensation from the Corporation for services rendered to it, subject to the restriction on interested Directors as set forth in Section 5.5(C).

Section 5.11 Self-Dealing Transactions. This Corporation shall not enter into self-dealing transactions. Except as provided in Section 5.11(A), for the purpose of this section, a self-dealing transaction means a transaction to which this corporation is a party and in which one or more of the members of its Board of Directors or officers has a material financial interest and which does not meet the requirements of Sections 5.11(B) or 5.11(C). Such a member of the Board of Directors is an "interested director" for the purpose of this section.

A. Exceptions. The provisions of this section do not apply to any of the following:

(1) An action of the Board of Directors fixing the compensation of a member of the Board of Directors as an officer of this corporation.

(2) A transaction which is part of a public or charitable program of this corporation if it (i) is approved or authorized by this corporation in good faith and without unjustified favoritism and (ii) results in a benefit to one or more members of the Board of Directors or their families because they are in the class of persons intended to be benefited by the public or charitable program.

(3) A transaction, of which the interested director or directors have no actual knowledge, and which does not exceed the lesser of one percent of the gross receipts of this corporation for the preceding fiscal year or one hundred thousand dollars (\$100,000).

B. Prior Board of Directors Approval. This Corporation may enter into a self-dealing transaction if all of the following facts are established:

(1) This Corporation entered into the transaction for its own benefit;

(2) The transaction was fair and reasonable as to this Corporation at the time this Corporation entered into the transaction;

(3) Prior to consummating the transaction or any part thereof the Board of Directors authorized or approved the transaction in good faith by a vote of a majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors, and with knowledge of the material facts concerning the transaction and the director's interest in the transaction. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction. Except as provided in Paragraph 5.11(C)(1), action by a committee of the Board of Directors shall not satisfy this paragraph; and

(4) Prior to authorizing or approving the transaction the Board of Directors considered and in good faith determined after reasonable investigation under the circumstances that this corporation could not have obtained a more advantageous arrangement with reasonable effort under the circumstances or (ii) this corporation in fact could not have obtained a more advantageous arrangement with reasonable effort under the circumstances.

C. Subsequent Board of Directors Approval. This corporation may enter into a self-dealing transaction if all of the following facts are established:

(1) A committee or person authorized by the Board of Directors approved the transaction in a manner consistent with the standards set forth in Section 5.11(B);

(2) It was not reasonably practicable to obtain approval of the Board of Directors prior to entering into the transaction; and

(3) The Board of Directors, after determining in good faith that the conditions of subparagraphs (1) and (2) of this Section were satisfied, ratified the transaction at its next meeting by a vote of the majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction.

## ARTICLE VI

### MEETINGS OF THE BOARD OF DIRECTORS

Section 6.1 Place of Meeting. All meetings of the Board of Directors shall be held at the principal office of this Corporation or at such other place as may be designated for that purpose in the notice of the meeting or, if not stated in the notice or there is no notice, at such place as may be set by resolution of the Board.

Section 6.2 Meetings by Telephone or Electronic Communication. Directors may participate in any meeting of the Board of Directors, regular or special, through the use of conference telephone, electronic video screen communication, or electronic transmission by and to the Corporation. Participation in a meeting through conference telephone or electronic video screen communication constitutes presence in person at that meeting so long as all members participating are able to hear one another. Participation in a meeting through electronic transmission other than telephone conference or electronic video transmission constitutes presence at that meeting so long as both of the following apply: (A) each member participating in the meeting can communicate with all of the other members concurrently; (B) each member is provided the means of participating in all matters before the Board of Directors, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the Corporation.

Section 6.3 Annual Meetings. The Board of Directors shall hold an annual meeting for the purpose of organizing the Board, the election of officers, and the transaction of such other business as may come before the meeting. The annual meeting shall be held at such time as the Board may fix by resolution from time to time. No notice of the annual meeting of the Board of Directors need be given.

Section 6.4 Regular Meetings. Regular meetings of the Board of Directors shall be held at such time as the Board may fix by resolution from time to time. No notice of any regular meeting of the Board of Directors need be given.

Section 6.5 Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairperson of the Board or by two (2) or more Directors of this Corporation.

Section 6.6 Notice of Special Meetings. Notice of the time and place of special meetings shall be communicated personally or by telephone to each Director or sent to each Director by mail or other form of written communication, addressed to him or her at his or her address as it is shown on the records of this Corporation. Such notice, if mailed, shall be mailed at least seventy-two (72) hours prior to the time of the meeting, or if delivered personally, telephonically or telegraphically or by e-mail, shall be received at least forty-eight (48) hours prior to the time of the meeting.

Section 6.7 Waiver of Notice. Notice of a meeting need not be given to any Director who signs a waiver of notice or a written consent to hold the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 6.8 Quorum. At all meetings of the Board of Directors, a majority of the then serving Directors, but not less than two (2), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of the Directors present, whether or not a quorum, may adjourn any Directors' meeting to another time and place. The act of a majority of the Directors present at any time at which there is a quorum shall be the act of the Board of Directors, unless a greater number is required by law. Notwithstanding the previous provisions of this Section, the Directors present at a meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, so long as any action taken is approved by at least a majority of the required quorum for such meeting.

Section 6.9 Action Without Meeting. Any action required or permitted to be taken by the Board of Directors under any provision of law, the Articles of Incorporation or these Bylaws may be taken without a meeting if all of the Directors individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as the unanimous vote of such Directors. Any certificate or other document filed on behalf of this Corporation relating to an action taken by the Board without a meeting shall state that the action was taken by written consent of the Board of Directors without a meeting and that the Bylaws of the Corporation authorize its Directors to so act.

Section 6.10 Prohibition Against Voting by Proxy. Directors may not vote by proxy.

## ARTICLE VII

### CORPORATE OFFICERS

Section 7.1 Officers.

A. The officers of this Corporation shall include a Chief Executive Officer and President (“CEO”), Chairperson of the Board, Vice Chairperson of the Board, Chief Financial Officer (“CFO”), and a Secretary, all of whom shall be selected in accordance with the provisions of this Article VII. Any number of such offices may be held by the same person, but neither the Chairperson of the Board nor the President/CEO may serve concurrently as the Secretary or CFO of this Corporation.

B. Except as otherwise set forth in these Bylaws, the officers of this Corporation shall be chosen annually by the Board of Directors and shall hold office until his or her resignation or removal by the Board of Directors or, in the case of the President/CEO and Chief Financial Officer, by the Manager (during any time that the Management Agreement is in effect), other disqualification to serve, or until his or her successor shall be elected and qualified. Notwithstanding any provision to the contrary in these Bylaws, as long as the Management Agreement remains in effect and has not terminated or expired, the Manager (as defined in the Management Agreement) will be obligated to provide an acceptable President/CEO and Chief Financial Officer, all as set forth under the terms and conditions of the Management Agreement, and will have the right to terminate or remove the Chief Executive Officer and President and Chief Financial Officer, without the approval of the Board of Directors. In the event the Manager terminates the President/CEO or Chief Financial Officer, the Manager shall be required to provide a replacement of such officer to be approved by the Board of Directors. The Board of Directors shall have the right to require Manager to replace the President/CEO if the Board of Directors determines, in its sole judgment, that the President/CEO is unacceptable.

C. The Board of Directors may appoint such other officers from among the members of the Board of Directors, such as one or more assistant secretaries or treasurers, as the business of this Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board of Directors from time to time may authorize.

Section 7.2 Removal of Officers. Subject to any consultation or approval requirements under the System Authority Matrix, any officer may be removed, with or without cause, by a majority of Directors then in office, at any regular or special meeting of the Board, except that if an employment agreement is in effect for any officer, its terms shall govern the removal of the officer. Should a vacancy occur in any office as a result of death, resignation, removal, disqualification or any other cause, the Board of Directors may delegate the powers and duties of such office, except as otherwise provided in these Bylaws, to any officer or to any Director until such time as a successor for such office has been elected or appointed. Any officer shall be automatically removed as such an officer upon his or her removal as a Director in accordance with the provisions of Section 5.6 of these Bylaws.

Section 7.3 Chairperson of the Board. The Chairperson of the Board shall be elected from among the Directors and shall have the powers and duties usually associated with such

office. The Chairperson of the Board shall preside over meetings of the Board of Directors, supervise activities of the Board, and serve as an ex-officio voting member of all Board committees.

Section 7.4 Vice Chairperson of the Board. The Vice Chairperson of the Board shall be elected from among the Directors and, in the absence or disability of the Chairperson of the Board, shall perform all duties of the Chairperson of the Board and, when so acting, shall have all powers of and be subject to all restrictions upon the Chairperson of the Board. In the absence of both the Chairperson of the Board and the Vice Chairperson of the Board, the Board shall select one of its members, other than the Secretary or Treasurer, to act as Chairperson of the Board.

Section 7.5 Secretary. The Secretary shall be elected from among the Directors and shall keep or cause to be kept at the principal office or at such other place as the Board of Directors may determine, a book of minutes of all meetings of the Directors, whether annual, regular or special, with the time and place of the meeting, the notice given, the names of those present at the meeting, the proceedings thereat and, if a special meeting, how it was authorized. The Secretary shall give or cause to be given notice of all meetings of the Board of Directors required by these Bylaws or by law. He or she shall keep the corporate seal in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

Section 7.6 Treasurer. The Treasurer shall be elected from among the Directors and shall have the powers and duties usually associated with such office, subject to limitation or extension by the Board of Directors. The Treasurer shall keep and maintain or cause to be kept and maintained adequate and correct accounts of the properties and business transactions of this Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains and losses. The books of account shall at all times be open to inspection by any Director, or the Corporate Member. The Treasurer shall submit or cause to be submitted to the Board of Directors annual statements of receipts and expenditures.

Section 7.7 President and Chief Executive Officer. The President and the Chief Executive Officer shall be the chief executive officer of this Corporation, shall serve as a member of the Corporation's executive team, and shall be an employee of the Corporation, except that during any period that the Management Agreement is in effect he or she shall be an employee of the manager thereunder. Subject to the powers of the Manager (during any time that the Management Agreement is in effect), the President/CEO shall be appointed by and subject to the removal of the Board of Directors. He or she shall report to and be accountable to the Manager (during any time that the Management Agreement is in effect), and report to, be accountable to and subject at all times to the ultimate supervision and authority of the Corporation's Board of Directors, shall have general supervision, direction and control of the business and non-Director officers of this Corporation and shall be held responsible for the proper functioning and management of this Corporation. The President and Chief Executive Officer shall possess the degree of education and experience appropriate to the proper discharge of these responsibilities and, if a management or employment agreement may be in effect, meet all of the requirements set forth in the management or employment agreement. The Board of



Directors shall initiate and conduct periodic performance reviews of the President and Chief Executive Officer. Subject to the direction of the Manager (during any time that the Management Agreement is in effect) and the ultimate supervision and control of this Corporation's Board of Directors, the President and Chief Executive Officer shall organize the administrative functions of this Corporation, delegate duties and establish formal means of accountability on the part of his or her subordinate officers. The President and Chief Executive Officer may be an ex-officio voting member of all Advisory Committees, if so determined by the Board of Directors. He or she shall have the general powers and duties of management usually vested in the chief executive officer under the California Nonprofit Public Benefit Corporation Law and shall have other powers and duties as may be prescribed by this Corporation's Board of Directors, these Bylaws, and the System Authority Matrix.

These powers and duties shall include, but not be limited to, the following:

- A. to support and assist this Corporation in furtherance of its charitable purposes, consistent with the established philosophy and mission of the Health System;
- B. to direct and implement the goals, policies and programs established for the Health System;
- C. to promote a high standard of quality of care provided by the Health System through setting goals and objectives for quality improvement;
- D. to act as the representative of this Corporation to the public as well as to governmental and voluntary organizations;
- E. to make policy proposals to the Board of Directors and the Corporation's executives;
- F. to assume responsibility for strategic planning, financial planning, physical facilities, site development and program planning to meet the health needs of the community;
- G. to report to the Board of Directors and the Corporation's executives on the performance of this Corporation as well as on appropriate federal, state and local developments that affect health care therein;
- H. to attend all meetings of the Board of Directors and committees thereof, except as otherwise determined by the Board of Directors;
- I. to serve on such Advisory Board committees as determined by the Board of Directors;
- J. to assure proper day-to-day administration of this Corporation;

K. to prepare an annual budget and periodically report to the Board of Directors and to the Corporation's executives on this Corporation's financial affairs and condition;

L. in consultation with the Board of Directors, to appoint each Vice President of the Corporation, to set the terms and conditions of employment of the Vice Presidents and to evaluate their performance periodically, to assure the proper selection, employment, control and discharge of employees of the Corporation and the executives and officers of the Affiliates and Subsidiaries, and the development and maintenance of this Corporation's written personnel policies and practices;

M. to assure proper maintenance and to keep the physical properties of this Corporation in a good state of repair; and

N. to assure proper business management of this Corporation so that funds are collected and expended in keeping with sound business practice and with charity.

Section 7.8 Chief Financial Officer. The Chief Financial Officer shall, in coordination with the Treasurer, and according to the direction of the Board of Directors and the President/CEO, keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, and fund balance. The books of account shall at all reasonable times be open to inspection by any Director. The Chief Financial Officer shall deposit all monies and other valuables in the name and to the credit of the Corporation with such depositaries as may be designated by the Board of Directors. He or she shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the President and Chief Executive Officer, or the Directors whenever they request it, an account of all transactions as Chief Financial Officer and of the financial condition of the Corporation, and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws. Subject to the powers of the Manager (during any time that the Management Agreement is in effect), the Chief Financial Officer shall be appointed by and shall be subject to removal by the President and Chief Executive Officer of the Corporation. He or she shall report to and be accountable to the Board of Directors of this Corporation, the President and Chief Executive Officer, and the Manager (during any time that the Management Agreement is in effect).

Section 7.9 Reporting Relationship of Certain Corporate Officers to the Board of Directors. Persons serving from time to time in the positions of Corporate Responsibility Officer and Vice President and General Counsel shall report to and be accountable to the Board of Directors and the President and Chief Executive Officer and each of them shall be entitled to confidential access to the Chairperson and other members of the Board of Directors as necessary or advisable to carry out such person's duties in such position.

Section 7.10 Resignation. Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the

acceptance of the resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

Section 7.11 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

## ARTICLE VIII

### COMMITTEES

#### Section 8.1 Generally.

A. The Board of Directors may by resolution establish (1) Committees of the Board which shall have legal authority to act for this Corporation and, as determined by the Board of Directors, the Health System, and (2) Advisory Committees. Committees may be either standing or special. Members of all committees shall serve at the pleasure of the Board. Any Committee of the Board which shall have legal authority to act for this Corporation, to the extent provided in a resolution of the Board, shall have all authority of the Board, except with respect to:

- (1) The approval of any action for which the California Nonprofit Public Benefit Corporation Law or these Bylaws also require approval of a majority of this Corporation's Board of Directors;
- (2) The filling of vacancies on the Board of Directors or on any committee that has the authority of the Board;
- (3) The amendment or repeal of any resolution of the Board of Directors that by its express terms is not so amendable or repealable;
- (4) The appointment of other committees or members thereof;
- (5) The approval of any self-dealing transaction, except as provided in Section 5233(d)(3) of the California Nonprofit Public Benefit Corporation Law;
- (6) Any decision with respect to the retention or termination of the Chief Executive Officer, approval or amendment of any operating or capital budget, approval of the annual audit, amendment of these Bylaws, any unbudgeted capital expenditure, or any decision with respect to the acquisition, divestiture, sale or other disposition of Corporation's assets, or the creation of any new Corporation liabilities, or the exercise of any reserved power held by the Corporation with respect to any of the Affiliates.

B. The Board of Directors shall have the power to prescribe the manner in which proceedings of any committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless these Bylaws, the Board or such committee shall otherwise provide, the regular and special meetings and other actions of any committee shall be governed by the provisions of Article VII of these Bylaws. Each committee shall keep minutes of its proceedings and shall report the same to the Board from time to time, as the Board of Directors may require. The Board of Directors shall review the charter of each committee governed by a charter at least once every two years.

Section 8.2 Committees of the Board. Only Directors may be appointed as voting members of Committees of the Board. Each Committee of the Board shall consist of five (5) or more Directors, with at least one (1) member of each Committee being a BM Director Appointee. The Chairperson and members of Committees of the Board shall be appointed by the Board of Directors. The Board may designate one or more Directors as alternate members of any such committee, who may replace any absent member at any meeting of the committee.

Section 8.3 Advisory Committees. Advisory Committees may consist of two or more persons and may consist of Directors only, Directors and non-Directors, or non-Directors only, and may include non-voting members and alternate members. The Chairperson and members of Advisory Committees shall be appointed by the Chairperson of the Board or the Board of Directors. Advisory Committees shall have no legal authority to act for this Corporation.

Section 8.4 Executive Committee.

A. There may be an Executive Committee which, if established, shall consist of such members of the Board of Directors as the Board may designate, and shall include at least one BM Director Appointee. The Chairperson of the Executive Committee shall be the person then serving as Chairperson of the Board. The Executive Committee shall have authority to act for this Corporation, subject to the provisions of Section 8.1(A) of these Bylaws, as to those matters which may arise and cannot be handled in the ordinary course of regular or special meetings of the Board of Directors.

B. The establishment of an Executive Committee and the delegation of authority to it shall not operate to relieve the Board of Directors or any individual Director of any responsibility imposed on it or him or her by law, by the Articles of Incorporation of this Corporation or these Bylaws.

C. The Executive Committee shall meet at such times as it deems necessary, provided that reasonable notice of all meetings of the Executive Committee shall be given to its members and no act of the Executive Committee shall be valid unless approved by the vote of a majority, or by the unanimous written consent, of its members.

Section 8.5 Audit Committee. In a fiscal year in which the Corporation's gross revenue is \$2,000,000 or more, the Corporation shall appoint an audit committee (the "Audit Committee"), shall hire an independent auditor, and shall have such auditor prepare an audited

financial statement. Such \$2,000,000 threshold excludes grants received from and contracts and services with government entities for which the governmental entity requires an accounting of funds received.

A. Members. The Audit Committee may include non-Board members, but it may not include any members of the staff, the President/CEO, or the CFO. If the Corporation has a Finance Committee, it shall be separate from the Audit Committee. The Audit Committee may include members of the Finance Committee, but such overlapping members shall constitute less than half of the Audit Committee and the chairperson of the Audit Committee may not be a member of the Finance Committee. Any person who has any material financial interest in any entity doing business with the Corporation may not serve on the Audit Committee. Each member of the Audit Committee shall serve as such until such member's successor shall be appointed by the Board of Directors. In the event that any member of the Audit Committee shall resign or cease to be a Director of the Corporation, the vacancy thus caused shall be filled by the Board. The Audit Committee shall be an Advisory Committee and shall operate in accordance with this Section 8.5 and the charter adopted by the Board of Directors as in effect from time to time. The Audit Committee shall consist of not fewer than three members, all of whom shall be or shall be capable of becoming familiar with basic financial statements and accounting principles, and all of whom shall be deemed by the Board of Directors to be free of any relationship that would interfere with independent judgment. The Audit Committee shall meet at least quarterly, and shall meet at least annually with the outside auditor or auditors of the Corporation in the absence of all members who are employees of the Corporation or any Affiliate controlled by the Corporation.

B. Duties of the Audit Committee. Subject to the supervision of the Board, the Audit Committee shall exercise the following powers, responsibilities, and duties:

- (1) To make recommendations to the Board regarding the appointment, retention, and termination of the independent auditor for the corporation and the Affiliates;
- (2) To negotiate the auditor's compensation;
- (3) To confer with the auditor to satisfy its members that the financial affairs of the corporation and the Affiliates are in order;
- (4) To review the audit and decide whether to accept it; and
- (5) To assure that any non-audit services performed by the auditor conform to the applicable independent standards and to approve such nonaudit services.

C. Compensation. No member of the Audit Committee shall receive compensation for serving on the Audit Committee. An Audit Committee member may be reimbursed for reasonable expenses incurred in attending such meetings.

D. Control by the Board. The Audit Committee shall be subject at all times to the control of the Board, which shall have the power to revise or alter any action taken by the Audit Committee; provided, however, that no rights of third parties shall be affected thereby.

Section 8.6 Financial Statements Must Be Made Available. If the Corporation prepares an audited financial statement (either in accordance with Section 8.5 above or otherwise), such audited financial statement shall be made available for inspection by the California Attorney General and by all members of the public no later than nine months after the close of the relevant fiscal year in the same manner as the corporation's Internal Revenue Service Form 990. Each annual financial statement shall be made available to the public for three years.

Section 8.7 Nominating Committee. The Nominating Committee shall be a standing advisory committee and shall be composed of five (5) Directors appointed by the Chairperson, including one BM Director Appointee. The Nominating Committee shall have the authority and responsibility to:

A. Recruit, screen, and evaluate candidates for Directors of this Corporation and other entities in which the Corporation has the right or power to appoint directors or managers and shall solicit recommendations and input from all Directors, BlueMountain Capital Management, LLC, and Manager for nominees to the Board of Directors;

B. Nominate Director nominees to the Board of Directors, and of other entities for which this Corporation has the right to appoint directors or managers; and

C. Perform such other functions as may be assigned to it by the Board of Directors.

Section 8.8 Executive Compensation Review and Approval. During any period that the President/CEO and CFO are employed by the Corporation, rather than the Manager, the Board, or any authorized Committee of the Board, shall review and approve the compensation, including benefits, of the President/CEO and the CFO to ensure that each such officer's compensation is just and reasonable. Such review and approval shall occur when the officer is initially hired, whenever the officer's term of employment is renewed or extended, and when the officer's compensation is modified, unless such modification applies to substantially all employees.

Section 8.9 Term of Office. The Chairperson and each member of a standing committee shall serve until the next election of Directors and until his or her successor is appointed or until such committee is sooner terminated or until he or she is removed, resigns or otherwise ceases to qualify as a member of the committee. The Chairperson and each member of

a special committee shall serve for the life of the committee unless they are sooner removed, resign or cease to qualify as members of such committee.

Section 8.10 Vacancies. Vacancies on any committee may be filled for the unexpired portion of the term in the same manner as provided in the case of original appointments.

Section 8.11 Quorum. At all committee meetings, a majority of committee members then serving, but not less than three (3), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of committee members present, whether or not a quorum, may adjourn any committee meeting to another time and place. The act of a majority of the committee members present at a meeting at which there is a quorum shall be the act of the committee. Notwithstanding previous provisions of this Section, the committee members present at a meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of committee members, so long as any action taken is approved by at least a majority of the required quorum for such meeting.

## ARTICLE IX

### GENERAL PROVISIONS

Section 9.1 Voting Interests. The Corporation may vote any and all shares held by it in any other corporation and may exercise any and all membership rights held by it in any other corporation. Such action shall be undertaken or evidenced on behalf of this Corporation by such officer, agent or proxy as the Board of Directors may appoint or, in default of any such appointment, by the Chairperson of the Board or by an officer who is also a Director and, in such case, such person may likewise appoint a proxy to vote shares.

Section 9.2 Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to this Corporation and any and all securities owned or held by this Corporation requiring signature for transfer shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by the Board of Directors.

Section 9.3 Execution of Contracts. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute any instrument in the name of and on behalf of this Corporation and such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors or by the System Authority Matrix, no officer, agent or employee shall have any power or authority to bind this Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 9.4 Inspection of Corporate Records. The accounting books and records of this Corporation and the minutes of proceedings of this Corporation's Board of Directors and Committees shall be open to inspection upon the written request of any Director at any

reasonable time and for any purpose reasonably related to the interests of the Director. Such inspection may be made in person or by an agent or attorney.

Section 9.5 Annual Report. The Board of Directors shall cause an annual report to be sent to each Director of this Corporation no later than one hundred twenty (120) days after the close of this Corporation's fiscal or calendar year. Such annual report shall be prepared in conformity with requirements of the California Nonprofit Public Benefit Corporation Law.

Section 9.6 Dissolution. The property and assets of this Corporation are irrevocably dedicated to charitable, educational and scientific purposes. Upon the winding up and dissolution of this Corporation, its assets remaining, after payment or adequate provision for payment of all debts and obligations of this Corporation, shall be distributed in accordance with the dissolution provisions set forth in this Corporation's Articles of Incorporation.

Section 9.7 Fiscal Year. The fiscal year of this Corporation shall begin on the first day of July each year and end on June 30th of the following year.

Section 9.8 Review of Bylaws. At least once every two (2) years, the Board of Directors shall review these Bylaws and recommend changes.

## ARTICLE X

### INDEMNIFICATION AND INSURANCE

Section 10.1 Indemnification. To the full extent permitted by law and in the manner provided by law, this Corporation may, and if the law requires it shall, indemnify against liability and hold harmless any person who was or is a party to or is threatened to be a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a Director, officer, employee or agent of this Corporation when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise. The foregoing rights of indemnification shall not be deemed to be exclusive of any other rights to which such person may be entitled under applicable law, and shall continue as to a person who has ceased to be a Director, officer, employee, or agent of this Corporation and shall inure to the benefit of the estate, executors, administrators, heirs, legatees or devisees of any such person to the extent such action, suit or proceeding survives the death of such person.

Section 10.2 Payment of Expenses. This Corporation may pay expenses, including attorneys' fees, incurred in defending any action, suit or proceeding referred to in this Article in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case and as permitted by law.

Section 10.3 Insurance. This Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of this Corporation



when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise, against any claim or liability asserted against such person and incurred in any such capacity, or arising out of such person's status as such, whether or not this Corporation would be required or would have the power to indemnify such person against such liability under this Article or otherwise.

## ARTICLE XI

### MAINTAINING A UNIFIED HEALTH SYSTEM

Section 11.1 Generally. In order to establish the relationships among organizations in the Health System which are necessary to maintain a unified system, this Corporation shall require that the governing document or documents of any entity of which this Corporation is the sole corporate member or controlling organization contain the following:

- A. Provisions which reserve to this Corporation the powers over such entity, as may be required by applicable Health System policies;
- B. Provisions which reserve to such entity powers over organizations it controls, as may be required by applicable Health System policies; and
- C. Provisions which require such entity to require that the governing document or documents of organizations it controls contain a provision which reserves to this Corporation, the powers set forth in these Bylaws, the governing document or documents of such entity or applicable Health System policies (including the System Authority Matrix). The term "governing document or documents," is used in this Article as a generic form to describe the organizational documents by which an entity is legally formed in a particular state and includes, but is not limited to, articles of incorporation, bylaws, governing resolutions, articles of partnership, joint venture agreements, and any other document which creates or governs the organization or entity.

Section 11.2 Exercise of Reserved Powers. All action by this Corporation as the corporate member or controlling entity of an Affiliate shall be by this Corporation's Board of Directors.

## ARTICLE XII

### GENDER AND NUMBER

Words used herein regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

## **ARTICLE XIII**

### **AMENDMENTS**

These Bylaws or any part thereof may be amended or repealed or new Bylaws may be adopted by the affirmative vote of a majority of the Directors then in office.

**Conditions to Change in Control and Governance of O'Connor Hospital<sup>1</sup> and Approval of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Certain Funds Managed by BlueMountain Capital Management, LLC<sup>2</sup>, and Integrity Healthcare, LLC**

**I.**

These Conditions shall be legally binding on Daughters of Charity Ministry Services Corporation, a California nonprofit religious corporation, Daughters of Charity Health System, a California nonprofit religious corporation, Verity Health System of California, Inc., a California nonprofit public benefit corporation, St. Vincent Medical Center, a California nonprofit religious corporation, St. Francis Medical Center, a California nonprofit religious corporation, O'Connor Hospital, a California nonprofit religious corporation, Saint Louise Regional Hospital, a California nonprofit religious corporation, and Seton Medical Center, a California nonprofit religious corporation, St. Francis Medical Center of Lynwood Foundation, a California nonprofit religious corporation, St. Vincent Foundation, a California nonprofit religious corporation, Seton Medical Center Foundation, a California nonprofit religious corporation, Saint Louise Regional Hospital Foundation, a California nonprofit religious corporation, O'Connor Hospital Foundation, a California nonprofit religious corporation, Caritas Business Services, a California nonprofit religious corporation, Verity Business Services, a California nonprofit public benefit corporation, DCHS Medical Foundation, a California nonprofit religious corporation, Verity Medical Foundation, a California nonprofit public benefit corporation, St. Vincent de Paul Ethics Corporation, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Marillac Insurance Company, Ltd., a Cayman Islands corporation, DePaul Ventures, LLC, a California limited liability company, DePaul Ventures – San Jose ASC, LLC, a California limited liability company, DePaul Ventures – San Jose Dialysis, LLC, a California limited liability company, any other subsidiary, parent, general

---

<sup>1</sup> Throughout this document, the term "O'Connor Hospital" shall mean the general acute care hospital located at 2105 Forest Avenue, San Jose, CA 95128, and any other clinics, laboratories, units, services, or beds included on the license issued to O'Connor Hospital by the California Department of Public Health, effective January 1, 2015, unless otherwise indicated.

<sup>2</sup> The term "Certain Funds Managed by BlueMountain Capital Management, LLC" shall mean the following: BlueMountain Guadalupe Peak Fund, L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Summit Opportunities Fund II (US) L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BMSB L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Foinaven Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Logan Opportunities Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, and BlueMountain Monteners Master Fund SCA SICAV-SIF, a Luxembourg corporate partnership limited by shares, by BlueMountain Capital Management, LLC, its investment manager.

partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, the above-listed entities whose corporate status will be changed from a California nonprofit religious corporation to a California nonprofit public benefit corporation, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of O'Connor Hospital, or the real property on which O'Connor Hospital is located, any and all current and future owners, lessees, licensees, or operators of O'Connor Hospital, and any and all current and future lessees and owners of the real property on which O'Connor Hospital is located.

These Conditions shall be legally binding on the following entities, as defined in Operating Asset Purchase Option Agreement, Operating Asset Purchase Agreement, Real Estate Purchase Option Agreement, and the Real Estate Purchase Agreement, when the closing occurs on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement: the Option Holders, Purchaser and its Affiliates, "OpCo" a Delaware limited liability company, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, and "PropCo" a Delaware limited liability company that will elect to be treated for tax purposes as a real estate investment trust, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, Integrity Healthcare, LLC, a Delaware limited liability company, Integrity Healthcare Blocker, LLC, a Delaware limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, managing member, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of O'Connor Hospital, or the real property on which O'Connor Hospital is located, any and all current and future owners, lessees, licensees, or operators of O'Connor Hospital, and any and all current and future lessees and owners of the real property on which O'Connor Hospital is located.

## II.

The transaction approved by the Attorney General consists of the System Restructuring and Support Agreement dated July 17, 2015, Amendment No. 1 to System Restructuring and Support Agreement, and any agreements or documents referenced in or attached to as an exhibit or schedule and any other documents referenced in the System Restructuring and Support Agreement and Amendment No. 1 to System Restructuring and Support Agreement including, but not limited to:

- a. Transitional Consulting Services Agreement dated July 17, 2015;
- b. Health System Management Agreement with Integrity Healthcare, LLC;
- c. Debt Facility Commitment Letter dated July 17, 2015, signed by all the funds listed in footnote 2 and BlueMeridian Capital, LLC;
- d. Operating Asset Purchase Option Agreement;
- e. Operating Asset Purchase Agreement;
- f. Real Estate Purchase Option Agreement;
- g. Real Estate Purchase Agreement;

- f. Information Technology Lease Agreement; and
- g. Deposit Escrow Agreement dated July 17, 2015.

All the entities listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the above agreements shall fulfill the terms of these agreements or documents and shall notify and obtain the Attorney General's approval in writing of any proposed modification or rescission of any of the terms of these agreements or documents. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General's approval.

### III.

For fifteen years from the closing date of the System Restructuring and Support Agreement, O'Connor Hospital, and all future owners, managers, lessees, licensees, or operators of O'Connor Hospital shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of O'Connor Hospital;
- (b) Transfer control, responsibility, management, or governance of O'Connor Hospital. The substitution or addition of a new corporate member or members of O'Connor Hospital or Verity Health System of California, Inc. that transfers the control of, responsibility for or governance of O'Connor Hospital, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of O'Connor Hospital or Verity Health System of California, Inc., or any arrangement, written or oral, that would transfer voting control of the members of the governing body of O'Connor Hospital or Verity Health System of California, Inc., shall also be deemed a transfer for purposes of this Condition.

### IV.

For at least ten years from the closing date of the System Restructuring and Support Agreement, O'Connor Hospital shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain, provide, and expand the following healthcare services at current<sup>3</sup> licensure and designation with the same types and/or levels of services:

- a. 24-hour emergency medical services, including a minimum of 23 emergency treatment stations;
- b. Intensive care services, including a minimum of 14 intensive care beds;
- c. Coronary care services, including a minimum of 8 coronary care beds;

---

<sup>3</sup> The term "current" or "currently" throughout this document means as of January 1, 2015.

- d. Obstetric services, including a minimum of 30 obstetrics beds;
- e. Sub-acute care services, including a minimum of 24 sub-acute beds;
- f. Women's health services, including mammography; and
- g. Reproductive health services and expand such services to include those prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops.

O'Connor Hospital shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## V.

For at least five years from the closing date of the System Restructuring and Support Agreement, O'Connor Hospital shall maintain and provide the following services at current licensure, types, and/or levels of services:

- a. Cardiac services, including the two cardiac catheterizations and designation as a STEMI Receiving Center;
- b. Cancer services, including radiation therapy and the Ambulatory Infusion Center;
- c. Advanced certification as a Primary Stroke Center;
- d. Neonatal intensive care services, including a minimum of 10 neonatal intensive care beds;
- e. Orthopedics and joint replacement services;
- f. Wound care and hyperbaric medicine services; and
- g. Pediatric services, including a minimum of 14 pediatric beds.

O'Connor Hospital shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VI.

For at least ten years from the closing date of the System Restructuring and Support Agreement, O'Connor Hospital shall maintain physician on-call coverage agreements with currently contracted specialties and/or maintain other comparable coverage arrangements with physicians at fair market value.

## VII.

For ten years from the closing date of the System Restructuring and Support Agreement, O'Connor Hospital shall:

- a) Be certified to participate in the Medi-Cal program;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at O'Connor Hospital to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-

Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause:

- i.) Local Initiative: Santa Clara Family Health Plan or its successor;
- ii.) Local Initiative: Santa Clara Valley Health Plan or its successor; and
- iii.) Commercial Plan: Anthem Blue Cross of California or its successor.

If O'Connor Hospital questions whether it is being reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the Attorney General's Office with at least 120 days' notice prior to taking any action that would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.

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

### VIII.

For six fiscal years from the closing date of the System Restructuring and Support Agreement, O'Connor Hospital shall provide an annual amount of Charity Care (as defined below) at O'Connor Hospital equal to or greater than \$3,326,708 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by O'Connor Hospital in connection with the operation and provision of services at O'Connor Hospital. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup> O'Connor Hospital shall use and maintain a charity care policy that is no less favorable than O'Connor Hospital's current charity care policy and in compliance with California and Federal law. The planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at O'Connor Hospital shall be decided by the O'Connor Hospital Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XI.

O'Connor Hospital's obligation under this Condition shall be prorated on a daily basis if the closing date of the System Restructuring and Support Agreement is a date other than the first day of O'Connor Hospital's fiscal year.

---

<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as . . . charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-San Jose, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100” (as published by the U.S. Bureau of Labor Statistics).

While the Health System Management Agreement with Integrity Healthcare, LLC is in effect, if the actual amount of charity care provided at O’Connor Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, O’Connor Hospital shall pay an amount equal to the deficiency as follows: 50% of the deficiency payment as a contribution to the Daughters of Charity Health System Retirement Plan (Defined Benefit Church Plan), as defined in the System Restructuring and Support Agreement, in addition to the contributions that are required by the amortization schedule and premium payments required under Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 (as amended), as set forth in section 7.3 in the System Restructuring and Support Agreement until the Defined Benefit Church Plan is fully funded, and 50% of the deficiency payment for capital expenditures as set forth in section 7.7 of the System Restructuring and Support Agreement for repairing and/or upgrading the hospital buildings and equipment including, but not limited to, seismic compliance as required in Condition XV. Such payments shall be made within four months following the end of such fiscal year.

After the closing date on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, if the actual amount of charity care provided at O’Connor Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, O’Connor Hospital shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide direct health care services to residents in O’Connor Hospital’s service area (25 ZIP codes), as defined on page 64 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment(s) shall be made within four months following the end of such fiscal year.

The 2010 Federal Affordable Care Act may cause a reduction in future needs of charity care. Because of the impact of the Medi-Cal expansion in California and other effects from the 2010 Federal Affordable Care Act, the California Attorney General will consider adjusting the Minimum Charity Care Amount based on financial data submitted to OSHPD from time periods after implementation of the 2010 Federal Affordable Care Act. Any actual reduction will be considered “unforeseen” for purposes of Title 11, California Code of Regulations, section 999.5, subdivision (h). Once O’Connor Hospital submits its Annual Financial Disclosure Report to OSHPD for Fiscal Year 7/1/2015 to 6/30/2016, it may seek a request for an amendment of the Minimum Charity Care Amount beginning for Fiscal Year 7/1/2016 to 6/30/2017. The Attorney General’s Decision on such a request will be issued within 90 days of the submission of all of the information required in Title 11, California Code of Regulations, section 999.5, subdivision (h)(2) and all the information requested by the Attorney General’s Office.



## IX.

For six fiscal years from the closing date of the System Restructuring and Support Agreement, O'Connor Hospital shall provide an annual amount of Community Benefit Services at O'Connor Hospital equal to or greater than \$2,751,213 (the "Minimum Community Benefit Services Amount") exclusive of any funds from grants. For six fiscal years, the following community benefit programs and services shall continue to be offered:

- a. Family Medicine Residency Program; and
- b. Health Benefits Resource Center.

The planning of, and any subsequent changes to, the community benefit services provided at O'Connor Hospital shall be decided upon by the O'Connor Hospital's Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XI.

O'Connor Hospital's obligation under this Condition shall be prorated on a daily basis if the effective date of the System Restructuring and Support Agreement is a date other than the first day of O'Connor Hospital's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-San Jose, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at O'Connor Hospital for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, O'Connor Hospital shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in O'Connor Hospital's service area (25 ZIP codes), as defined on page 64 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

## X.

For at least ten years from the closing date of the System Restructuring and Support Agreement unless otherwise indicated, O'Connor Hospital shall maintain its contracts and any amendments and exhibits thereto with the County of Santa Clara for services, including the following:

- a. Neonatal and Pediatric Services Regional Cooperation Agreement Between O'Connor Hospital and County of Santa Clara;
- b. Hospital Designation Agreement By and Between the County of Santa Clara and Saint Louise Regional Hospital;

- c. Agreement Between the County of Santa Clara and O'Connor Hospital For the Grant of Bioterrorism Hospital Preparedness Program;
- d. Agreement Between the County of Santa Clara and O'Connor Hospital For Use of Automated Vital Statistics System; and
- e. County of Santa Clara Hospital Mutual Aid System Memorandum of Understanding.

O'Connor shall request that the Neonatal and Pediatric Services Regional Cooperation Agreement Between O'Connor Hospital and County of Santa Clara contract be amended to remove any requirement to comply with and any reference to the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops.

For at least ten years from the closing date of the System Restructuring and Support Agreement, O'Connor Hospital shall provide to the Santa Clara County Public Health Department and Santa Clara County Mental Health Department information and documents related to staffing assessments, clinical guidelines, services provided, and technology needs for O'Connor Hospital. The goal is to ensure that O'Connor Hospital's decisions or changes in these areas will not be motivated by a desire to move away from serving the Medi-Cal population. Such information and documents will also be provided to the Local Governing Board.

## XI.

For ten years from the closing date of the System Restructuring and Support Agreement, O'Connor Hospital shall have a Local Governing Board of Directors. O'Connor Hospital's Board of Directors shall consult with the Local Governing Board of Directors prior to making changes to medical services, community benefit programs, making capital expenditures including the spending of the funds for the "Capital Commitment" set forth in section 7.7 of the System Restructuring and Support Agreement and attached hereto as Exhibit 2, making changes to the charity care and collection policies, and making changes to charity care services provided at O'Connor Hospital. The members of the Local Governing Board shall include physicians from O'Connor Hospital's medical staff, O'Connor Hospital's Chief of Staff, one member designated by the Santa Clara County Board of Supervisors, and community representatives from O'Connor Hospital's primary service area (25 ZIP codes), as defined on page 64 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Local Governing Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

**XII.**

Verity Health System of California, Inc. shall reserve or expend the \$180 million capital commitment set forth in section 7.7 of the System Restructuring and Support Agreement and attached hereto as Exhibit 2.

**XIII.**

Verity Health System of California, Inc. shall comply with the pension obligations set forth in section 7.3 of the System Restructuring and Support Agreement. Section 7.3 of the System Restructuring and Support Agreement should be amended to include the following language:

(f) Notwithstanding any limitations set forth in the documents governing the Defined Benefit Church Plan, the Defined Contribution Church Plans, and the Multiemployer Plans, the participants of these plans have the legal right to enforce compliance of Section 7.3 against Verity Health System of California, Inc.

**XIV.**

O'Connor Hospital shall maintain privileges for current medical staff who are in good standing as of the closing date of the System Restructuring and Support Agreement. Further, the closing of the System Restructuring and Support Agreement shall not change the medical staff officers, committee chairs, or independence of the O'Connor Hospital's medical staff, and such persons shall remain in good standing for the remainder of their tenure.

**XV.**

Verity Health System of California, Inc. shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at O'Connor Hospital through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070).

**XVI.**

Within sixty days of the closing date of the System Restructuring and Support Agreement, O'Connor Hospital's Board of Trustees shall replace Article of IV, Section 3, subsection (a) of its Amended and Restated Bylaws Template (attached hereto as Exhibit 3) with the following language:

(a) Number and Composition. The Board of Trustees shall generally consist of not less than five (5) nor more than seventeen (17) members, including:

i) no more than 50 percent shall be members who are in good standing on the Board of Directors of Verity Health System of California, Inc.;

ii) at least one-third shall be residents of Santa Clara County; and

iii) no members shall have either directly or indirectly, personally or through a family member have any financial relationship with BlueMountain Capital Management, LLC or any of its owned or managed affiliates or Integrity Healthcare, LLC, and may not serve as an officer, director, contractor or employee of BlueMountain Capital Management, LLC or any of its owned or managed affiliates, or Integrity Healthcare, LLC, any managed fund, or entity in which BlueMountain Capital Management, LLC has an equity stake or option to purchase, except for public companies wherein BlueMountain Capital Management, LLC has an interest of less than 10%.

O'Connor Hospital's Board of Trustees shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Articles Template as Exhibit 4) and Amended and Restated Bylaws within 90 days from the closing date of the System Restructuring and Support Agreement requiring these provisions and any further changes to these documents must be approved by the Attorney General.

Within sixty days of the closing date of the System Restructuring and Support Agreement, Verity Health System of California, Inc. shall adopt the same Conflict of Interest Policy currently used by Daughters of Charity Health System and its affiliates (attached hereto as Exhibit 5) except that all references to the "Corporation" in the Conflict of Interest Policy shall be amended to "Corporation or BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC" and a portion of its "Financial Interest" definition section on page 2 shall be amended to state as follows:

**4. Financial Interest:** A Director or Family member has, directly or indirectly, a current or potential

- Ownership or investment interest in; or
- Compensation arrangement with; or
- Other economic interest in any of the following:
  - i. The Corporation; or
  - ii. BlueMountain Capital Management, LLC and or any of its owned or managed affiliates and Integrity Healthcare, LLC; or
  - iii. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC has a transaction or arrangement; or
  - iv. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC is negotiating a transaction or arrangement; or
  - v. Any entity or individual that competes with the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC.

Verity Health System of California, Inc. Board of Trustees shall provide a copy of its Conflict of Interest Policy within 90 days from the closing date of the System Restructuring and Support Agreement requiring this amendment and any further changes to this document must be approved by the Attorney General.

Verity Health System of California, Inc. shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Articles Template as Exhibit 6) and the Amended and Restated Bylaws (as set forth in the attached hereto Amended and Restated Bylaws Template as Exhibit 7) within 90 days from the closing date of the System Restructuring and Support Agreement and any further changes to these documents must be approved by the Attorney General.

If either the Verity Health System of California, Inc.'s Board of Directors or O'Connor Hospital's Board of Trustees provides board compensation to its members other than reimbursement for travel to and from board/trustees' meetings, it is required to obtain an fair market valuation for payment of such compensation for similarly-situated board of directors/trustees in the United States every two years.

#### **XVII.**

There shall be no restriction or limitation on providing or making reproductive health services, including such services prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops, available at O'Connor Hospital, its medical office buildings, or at any of its facilities. There shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at O'Connor Hospital. Both of these must be explicitly set forth in O'Connor Hospital's written policies, adhered to, and strictly enforced.

#### **XVIII.**

At least thirty days prior to the closing of the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, O'Connor Hospital Foundation shall provide to the Attorney General's Office an accounting of all charitable assets. Within 5 days of the Attorney General's approval, O'Connor Hospital Foundation shall transfer all charitable assets including, but not limited to, all temporary and permanently restricted funds to the California Community Foundation.

- a) The funds from O'Connor Hospital Foundation, if not previously restricted to support a specific charitable organization, will be deposited into the California Community Foundation's O'Connor Hospital Fund, and used to support nonprofit tax-exempt charitable organizations, clinics and facilities in providing healthcare services to residents of O'Connor Hospital's service area (25 ZIP codes), as described on page 64 in the Healthcare Impact Report authored by Medical Development Specialists, LLC, dated October 2, 2015. (Exhibit 1.) The donated funds shall be maintained and used for the purposes specified herein for a period of at least five years.

b) If there are funds from O'Connor Hospital Foundation previously restricted to support a specific charitable organization, such funds shall be deposited into a fund or funds at California Community Foundation restricted to continuing support for such charitable organization or organizations. Such funds are protected against obsolescence. If the purposes of any restricted fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by California Community Foundation, California Community Foundation's Board of Directors shall have the ability to modify any restriction or condition on the use such fund.

#### **XIX.**

For eleven fiscal years from the closing date of the System Restructuring and Support Agreement, O'Connor Hospital shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of O'Connor Hospital and the Chief Executive Officer at O'Connor Hospital shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the O'Connor Hospital's Board of Directors and the Local Governing Board.

#### **XX.**

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

#### **XXI.**

Once the System Restructuring and Support Agreement is closed, all parties listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the agreements listed in Condition II are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

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

# **EXHIBIT 1**

## ANALYSIS OF THE HOSPITAL'S SERVICE AREA

### *Service Area Definition*

The Hospital's service area is comprised of 25 ZIP Codes, from which 80% of its discharges originated in 2014. Approximately 50% of the Hospital's discharges came from the top ten ZIP Codes, located in San Jose, Santa Clara, and Milpitas. In 2014, the Hospital's market share in the service area was 11%.

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: 2014						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
95127	San Jose	618	5.7%	5.7%	5,248	11.8%
95122	San Jose	585	5.4%	11.0%	4,554	12.8%
95112	San Jose	576	5.3%	16.3%	4,056	14.2%
95128	San Jose	564	5.2%	21.5%	3,182	17.7%
95116	San Jose	562	5.2%	26.6%	4,913	11.4%
95111	San Jose	553	5.1%	31.7%	4,418	12.5%
95125	San Jose	533	4.9%	36.6%	4,294	12.4%
95050	Santa Clara	531	4.9%	41.5%	2,706	19.6%
95126	San Jose	466	4.3%	45.8%	2,662	17.5%
95035	Milpitas	378	3.5%	49.2%	4,383	8.6%
95121	San Jose	347	3.2%	52.4%	2,734	12.7%
95132	San Jose	321	2.9%	55.4%	2,614	12.3%
95117	San Jose	307	2.8%	58.2%	2,131	14.4%
95148	San Jose	298	2.7%	60.9%	2,833	10.5%
95051	Santa Clara	287	2.6%	63.5%	3,737	7.7%
95123	San Jose	250	2.3%	65.8%	4,561	5.5%
95136	San Jose	242	2.2%	68.0%	3,046	7.9%
95110	San Jose	218	2.0%	70.0%	1,445	15.1%
95008	Campbell	204	1.9%	71.9%	3,266	6.2%
95133	San Jose	195	1.8%	73.7%	1,880	10.4%
95124	San Jose	182	1.7%	75.4%	3,385	5.4%
95131	San Jose	181	1.7%	77.0%	1,826	9.9%
95129	San Jose	147	1.3%	78.4%	2,036	7.2%
95118	San Jose	140	1.3%	79.7%	2,465	5.7%
95113	San Jose	36	0.3%	80.0%	1,095	3.3%
<b>Subtotal</b>		<b>8,721</b>	<b>80.0%</b>	<b>80.0%</b>	<b>79,470</b>	<b>11.0%</b>
Other ZIPs		2,180	20.0%	100%		
<b>Total</b>		<b>10,901</b>	<b>100.0%</b>			

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database



## **EXHIBIT 2**

No such patient shall be turned away because of age, race, religion, gender, sexual orientation, payment source or inability to pay.

(c) For a period of not less than five (5) years following the Effective Time, Integrity acknowledges that DCHS will maintain the existing chapels at the Hospitals to be used for the celebration of Catholic mass and other religious services, and provide an appropriately staffed and funded pastoral care service at the Hospitals.

7.7 Capital Commitment. After the Closing, DCHS shall reserve or expend the following amounts for capital expenditures in each of the successive five (5) years immediately following the Closing Date: \$40,000,000.00 in each of the first three (3) years immediately following the Closing Date, and \$30,000,000.00 in each of years 4 and 5 immediately following the Closing Date. Notwithstanding the preceding sentence, in the event that within the first five years post-Closing, one or more of the Hospitals is sold or otherwise disassociated from DCHS, any remaining annual Capital Commitments of the remaining DCHS thereafter as set forth above, shall be reduced pro-rata based on the net revenue for such sold or disassociated Hospital(s) as included in the most recently completed audited income statement.

#### 7.8 Intellectual Property.

(a) Except as permitted under Section 6.13 of this Agreement, Integrity hereby covenants and agrees not to use the Hospital Trademarks in any manner or in any medium or form that includes or incorporates any Retained Marks (including, without limitation, the DCHS Names). Integrity further hereby covenants and agrees that all marketing and advertising using the Hospital Trademarks after the Effective Time will be in a form that integrates the use of the name "Integrity Health System, Inc." or similar branding in connection with the use of such Hospital Trademarks in such marketing or advertising materials.

(b) Except as permitted under Section 6.13, Integrity covenants not to use the Retained Marks or any marks or domain names that are confusingly similar to the Retained Marks, or any other Retained IP, in any manner and in any medium.

(c) Except as permitted under Section 6.13, Integrity shall, as of the Effective Time, (i) discontinue the use of all corporate and trade names, letterhead and business cards that contain any Retained Marks (including, without limitation, the DCHS Names), (ii) use commercially reasonable efforts to file appropriate name change amendments with the California Secretary of State, (iii) use commercially reasonable efforts to promptly replace or modify all exterior and interior fixtures that contain or comprise building signs to remove completely any Retained Marks (including, without limitation, the DCHS Names), and (iv) shall not subsequently change such names to (or otherwise use or employ) any names which contain any Retained Marks (including, without limitation, the DCHS Names).

7.9 Actions Related to Legal Opinion from Bond Counsel. BlueMountain agrees to cooperate with and provide Orrick, Herrington & Sutcliffe LLP ("*Orrick*") with all requested documentation in order to complete the opinion described in Section 8.9, including a 501(c)(3) opinion from a firm acceptable to Orrick, and BlueMountain shall obtain any valuations

## **EXHIBIT 3**

*DRAFT TEMPLATE*

***TEMPLATE FOR DIRECT HOSPITAL OR MEDICAL CENTER SUBSIDIARIES OF  
VERITY HEALTH SYSTEM, INC.***

**AMENDED AND RESTATED**

**BYLAWS OF**

**[NAME]**

**[HOSPITAL][MEDICAL CENTER]**

Adopted \_\_\_\_\_, 2015

Table Of Contents

	Page(s)
ARTICLE I NAME.....	1
ARTICLE II DEFINITIONS .....	1
ARTICLE III PURPOSES.....	2
ARTICLE IV OFFICES AND SEAL.....	2
ARTICLE V CORPORATE MEMBERSHIP .....	2
ARTICLE VI BOARD OF DIRECTORS .....	4
ARTICLE VII MEETINGS OF THE BOARD OF DIRECTORS.....	7
ARTICLE VIII CORPORATE OFFICERS .....	9
ARTICLE IX COMMITTEES .....	10
ARTICLE X MEDICAL STAFF.....	12
ARTICLE XI GENERAL PROVISIONS .....	18
ARTICLE XII INDEMNIFICATION AND INSURANCE.....	19
ARTICLE XIII MAINTAINING A UNIFIED HEALTH SYSTEM.....	20
ARTICLE XIV GENDER AND NUMBER.....	21
ARTICLE XV AMENDMENTS.....	18

AMENDED AND RESTATED  
BYLAWS OF  
[NAME]  
[HOSPITAL][MEDICAL CENTER]

ARTICLE I

NAME

The name of this Corporation shall be as set forth in its Articles of Incorporation.

ARTICLE II

DEFINITIONS

Section 1. Definitions. These Bylaws contain the terms “Affiliate” and “Health System.” These terms are also used in the bylaws of other entities comprising the Health System. For purposes of continuity, when used in these Bylaws, such terms shall be interpreted to give full effect to the intent of Article XIII of these Bylaws.

(a) Affiliate. The term “Affiliate” shall mean, individually, each organization that is controlled, directly or indirectly, by Verity Health System of California, Inc., a California nonprofit public benefit corporation (“Verity”), or by another organization controlled by Verity. As used in this definition, “control” shall mean (a) the status of sole corporate member of an organization; or (b) the authority to appoint, elect or approve at least a majority of the governing body of an organization.

(b) Corporate Member. The term “Corporate Member” shall mean Verity.

(c) Corporation. The term “Corporation” shall mean [NAME] Medical Center.

(d) Health System. The term “Health System” shall mean, collectively, Verity, this Corporation and the Affiliates of Verity and the Corporation.

(e) Subsidiary. “Subsidiary” shall mean an Affiliate that is under the direct control of another Affiliate.

(f) System Authority Matrix. The term “System Authority Matrix” shall mean the document as in effect from time to time which sets forth the respective responsibilities and authorities for Health System operations and decision making.

Section 2. Other Capitalized Terms. Capitalized terms used in these Bylaws and not otherwise defined herein are used herein with the meanings given them in the California Nonprofit Corporation Law.

### ARTICLE III

#### PURPOSES

Section 1. Purposes. The purposes of this Corporation are set out in its Articles of Incorporation as in effect from time to time.

### ARTICLE IV

#### OFFICES AND SEAL

Section 1. Principal Office. The principal office of this Corporation shall be in the County of [County], State of California.

Section 2. Seal. This Corporation may have a common seal inscribed with the name of this Corporation.

### ARTICLE V

#### CORPORATE MEMBERSHIP

Section 1. Corporate Membership. The sole member of this Corporation is Verity, acting through its Board of Directors or otherwise as provided in Article XIII, Section 2 of these Bylaws or the California Nonprofit Corporation Law.

Section 2. Rights and Powers of the Corporate Member. As the sole member of this Corporation under the California Nonprofit Corporation Law, the Corporate Member has all corresponding statutory rights and powers of membership. In addition, the Corporate Member has the power (which are termed the "Reserved Powers" of the Corporate Member) to take or approve the following actions:

- (a) Approve or change the mission, role and purpose of this Corporation;
- (b) Amend the Bylaws and Articles of Incorporation of this Corporation;
- (c) Authorize the Board of Directors to amend the bylaws, articles of incorporation or other organizational documents of any Affiliate;
- (d) Approve the formation, merger, dissolution, consolidation, divestiture, closure, change in corporate membership or control and reorganization of each direct Affiliate of this Corporation;
- (e) Fix the number and appoint and remove the Directors of this Corporation;

(f) Appoint and remove the Chairperson of the Board and the President and Chief Executive Officer of this Corporation and of each direct Affiliate or Subsidiary of this Corporation;

(g) Approve the merger, consolidation, reorganization or dissolution of this Corporation and the disposition of the assets of this Corporation upon dissolution;

(h) Approve the acquisition, sale, lease, mortgage, transfer or other alienation of real or personal property of this Corporation other than in accordance with the System Authority Matrix;

(i) Approve the capital and operating budgets of this Corporation or of any Affiliate controlled by this Corporation;

(j) Approve the incurrence of debt or guaranties of this Corporation other than in accordance with the System Authority Matrix;

(k) Establish policy concerning quality of care and services for the Corporation and to approve any such policies of this Corporation that are inconsistent with the System Authority Matrix;

(l) Establish policy and procedures concerning finance and resources for the Corporation and to approve any such policies or procedures that are inconsistent with such policies or procedures;

(m) Establish criteria for the long-range financial and strategic plans of the Corporation and to approve any such plans;

(n) Establish an internal auditing program and approve any material element of the internal auditing program for this Corporation that is inconsistent with the internal auditing program established by the Corporate Member;

(o) Approve capital expenditures by this Corporation or for any Affiliate controlled by this Corporation other than in accordance with the System Authority Matrix;

(p) Approve the transfer of funds, by gift or loan, between this Corporation and one or more other Affiliates of Verity and this Corporation or to any other person or entity other than in accordance with System Authority Matrix; and

(q) Approve any other action by this Corporation or for any Affiliate controlled by this Corporation that has been established by resolution of the Corporate Member as requiring its approval, including, but not limited to, any approvals of authority necessary to ensure compliance with any credit agreement, master indenture or loan agreement to which this Corporation or any Affiliate controlled by this Corporation is a party.

Section 3. Voting By Proxy. The Corporate Member may not vote by proxy.



Section 4. Appointment of Officer or Director or Others to Act on Behalf of Corporate Member. Subject to applicable law and the articles of incorporation and bylaws of the Corporate Member, the Corporate Member's board of directors may, by resolution, appoint one of more officers or directors of the Corporate Member or one or more other persons to act on its behalf, in its capacity as Corporate Member of this Corporation.

Section 5. Annual Meeting. A meeting of the Corporate Member shall be held annually for the purpose of appointing directors and to transact such other business as may be brought before such meeting. The annual meeting of the Corporate Member shall be held at such time and place as the board of directors of the Corporate Member determine from time to time.

Section 6. Action by Written Consent. Any action required or permitted to be taken at a meeting (whether annual, regular or special) by the Corporate Member under any provision of law, the Articles of Incorporation or these Bylaws may be taken without a meeting if the Corporate Member consents to such action in writing. Each such written consent shall be filed with the minutes of the proceedings of the Corporation. Such action by written consent shall have the same force and effect as a vote of the Corporate Member. Any certificate or other document filed on behalf of this Corporation relating to an action taken by the Corporate Member without a meeting shall state that the action was taken by written consent of the Corporate Member without a meeting and that the Bylaws of the Corporation authorize the Corporate Member to so act.

## ARTICLE VI

### BOARD OF DIRECTORS

Section 1. Powers. Subject to the provisions of this Corporation's Articles of Incorporation, these Bylaws, the Reserved Powers of the Corporate Member, the System Authority Matrix and the laws of the State of California, the activities and affairs of this Corporation shall be managed and conducted and all corporate powers shall be exercised by or under the direction of this Corporation's Board of Directors. To facilitate the management and conduct of this Corporation's activities and affairs, the Board of Directors shall establish corporate policies for, and formulate the basic rules and regulations governing the operation and management of, this Corporation and generally oversee and be responsible for the quality of care and the planning of services rendered by this Corporation. The Board of Directors may delegate the management and conduct of this Corporation's activities and affairs to any person or persons, management company, or committee however composed, provided that no delegation of authority by the Board of Directors to the Chief Executive Officer (as defined in Article VIII, Section 4 below), or anyone else, shall preclude the Board of Directors from exercising the authority required to meet its governance responsibility for the management and conduct of this Corporation's activities and affairs; and provided, further, that any delegation of powers of the Board may be made only to a committee of the Board consisting only of directors and shall be subject to the further limitations on Board committees set forth in Article IX, Section 1 of these Bylaws. The Board of Directors shall retain the right to rescind any such delegation.

Section 2. Reserved Powers of Verity as the Corporate Member: Final Action. Certain actions of the Board of Directors are subject to the Reserved Powers of Verity, acting in

its capacity as the Corporate Member of this Corporation, as set forth above in Article V of these Bylaws. Action by the Board of Directors of this Corporation that is subject to the approval of the Corporate Member pursuant to the Reserved Powers of the Corporate Member shall become final, binding action of the Corporation when such action has been approved or ratified by final action of the Corporate Member acting in accordance with these Bylaws and the bylaws of the Corporate Member.

Section 3. Number and Qualification.

(a) The Board of Directors shall consist of not less than three (3) nor more than seventeen (17) members, including at least one (1) person who is a member in good standing of the Board of Directors of Verity.

(b) The President and Chief Executive Officer of the Corporate Member shall serve as a member of the Board, *ex officio*.

(c) Restriction on Interested Directors. Not more than forty-nine percent (49%) of the persons serving on the Board of Directors at any time may be interested persons within the meaning of Section 5227 of the California Nonprofit Public Benefit Corporation Law. An interested person is (i) any person currently being compensated by this Corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor or otherwise, but excluding any reasonable compensation paid to a Director as Director; or (ii) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of any such person. However, any violation of the provision of this Section shall not affect the validity or enforceability of any transaction entered into by this Corporation.

Section 4. Appointment by Corporate Member. The Directors shall be appointed by Verity at each annual meeting of the Corporate Member.

Section 5. Term. Each Director (other than the President and Chief Executive Officer of the Corporate Member) shall hold office for a term of one (1) year or such other period set by the Corporate Member or until a successor is appointed and qualified or until such person sooner dies, resigns, is removed or becomes disqualified.

Section 6. Removal and Filling of Vacancies. The Board of Directors may declare vacant the office of a Director who has been declared of unsound mind by a final order of court or convicted of a felony or who has missed more than half of the meetings of the Board of Directors during any twelve-month period other than by reason of illness, or who has been found, by a final order or judgment of any court, to be in breach of any duty owed to the Corporation under Sections 5230-5239 of the California Nonprofit Public Benefit Corporation Law. In the event that such office is declared vacant, a new Director to fill the unexpired portion of the term of the Director whose office was declared vacant shall be appointed by the Corporate Member.

Section 7. Resignation. Any Director may resign at any time by delivering her or his resignation in writing to the Chairperson of the Board of Directors, the President or the Secretary or to the Board of Directors of the Corporation at its principal office; provided that, except upon

notice to the Attorney General, no director may resign if the Corporation would then be left without a duly elected Director or Directors in charge of its affairs. Such resignation shall be effective upon receipt unless specified to be effective at some other time.

Section 8. Fees and Compensation. Directors may receive such reasonable compensation (within the meaning of Internal Revenue Code Section 4958), if any, for serving as Director, and advances or reimbursement for reasonable expenses, as may be fixed or determined by the Corporate Member. Directors may receive compensation from the corporation for services rendered to it, subject to the restriction on interested Directors as set forth in Section 3(c) above of this Article VI.

Section 9. Self-Dealing Transactions. This Corporation shall not enter into self-dealing transactions. Except as provided in Section 9(a) of this Article VI, for the purpose of this Section, a self-dealing transaction means a transaction to which this corporation is a party and in which one or more of the members of its Board of Directors or officers has a material financial interest and which does not meet the requirements of Sections 9(b) or 9(c) of this Article VI. Such a member of the Board of Directors is an "interested director" for the purpose of this Section.

(a) Exceptions. The provisions of this section do not apply to any of the following:

(i) An action of the Board of Directors fixing the compensation of a member of the Board of Directors as an officer of this corporation.

(ii) A transaction which is part of a public or charitable program of this corporation if it (i) is approved or authorized by this corporation in good faith and without unjustified favoritism and (ii) results in a benefit to one or more members of the Board of Directors or their families because they are in the class of persons intended to be benefited by the public or charitable program.

(iii) A transaction, of which the interested director or directors have no actual knowledge, and which does not exceed the lesser of one percent of the gross receipts of this corporation for the preceding fiscal year or one hundred thousand dollars (\$100,000).

(b) Prior Board of Directors Approval. This Corporation may enter into a self-dealing transaction if all of the following facts are established:

(i) This Corporation entered into the transaction for its own benefit;

(ii) The transaction was fair and reasonable as to this Corporation at the time this Corporation entered into the transaction;

(iii) Prior to consummating the transaction or any part thereof the Board of Directors authorized or approved the transaction in good faith by a vote of a majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors, and with knowledge of the material facts concerning the transaction and the director's interest in the transaction. Interested directors may be counted in determining the

presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction. Except as provided in Section 9(c)(i) of this Article VI, action by a committee of the Board of Directors shall not satisfy this paragraph; and

(iv) Prior to authorizing or approving the transaction the Board of Directors considered and in good faith determined after reasonable investigation under the circumstances that this corporation could not have obtained a more advantageous arrangement with reasonable effort under the circumstances or (ii) this corporation in fact could not have obtained a more advantageous arrangement with reasonable effort under the circumstances.

(c) Subsequent Board of Directors Approval. This Corporation may enter into a self-dealing transaction if all of the following facts are established:

(i) A committee or person authorized by the Board of Directors approved the transaction in a manner consistent with the standards set forth in Section 9(b) of this Article VI;

(ii) It was not reasonably practicable to obtain approval of the Board of Directors prior to entering into the transaction; and

(iii) The Board of Directors, after determining in good faith that the conditions of subparagraphs (i) and (ii) of this subsection (c) were satisfied, ratified the transaction at its next meeting by a vote of the majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction.

## ARTICLE VII

### MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Place of Meeting. All meetings of the Board of Directors shall be held at the principal office of this Corporation or at such other place as may be designated for that purpose in the notice of the meeting or, if not stated in the notice or there is no notice, at such place as may be set by resolution of the Board.

Section 2. Annual Meeting. As soon as reasonably practicable, but no later than sixty (60) days after the annual meeting of the Corporate Member, the Board of Directors shall hold an annual meeting for the purpose of organizing the Board, electing the officers and the transaction of such other business as may come before the meeting. The date of the annual meeting shall be fixed by resolution. No notice of the annual meeting of the Board of Directors need be given.

Section 3. Regular Meetings. Regular meetings of the Board of Directors shall be held at such time as the Corporate Member may fix by resolution from time to time. No notice of regular meetings of the Board of Directors need be given.

Section 4. Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairperson of the Board or by two (2) or more Directors of this Corporation, or by the Corporate Member.

Section 5. Notice of Special Meetings. Notice of the time and place of special meetings shall be communicated personally or by telephone to each Director or sent to each Director by mail or other form of written communication (including e-mail), addressed to such Director at her or his address as it is shown on the records of this Corporation. Such notice, if mailed, shall be mailed at least seventy-two (72) hours prior to the time of the meeting, or if delivered personally, telephonically or telegraphically or by e-mail, shall be received at least forty-eight (48) hours prior to the time of the meeting.

Section 6. Waiver of Notice. Notice of a meeting need not be given to any Director who signs a waiver of notice or a written consent to hold the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 7. Quorum. At all meetings of the Board of Directors, a majority of the then serving Directors, but not less than two (2), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of the Directors present, whether or not a quorum, may adjourn any Directors meeting to another time and place. The act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, unless a greater number is required by law. Notwithstanding the previous provisions of this Section, the Directors present at a meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, so long as any action taken is approved by at least a majority of the required quorum for such meeting.

Section 8. Action Without Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all of the Directors individually or collectively shall consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as the unanimous vote of such Directors. Any certificate or other document filed on behalf of this Corporation relating to an action taken by the Board without a meeting shall state that the action was taken by written consent of the Board of Directors without a meeting and that the Bylaws of the Corporation authorize its Directors to so act.

Section 9. Telephonic Meeting. Directors may participate in a meeting of the Board through the use of conference telephone or similar communication equipment, as long as all Directors participating in such meeting can hear one another. Participation in this manner shall constitute presence in person at such meeting.

Section 10. Prohibition Against Voting by Proxy. Directors may not vote by proxy.

## ARTICLE VIII

### CORPORATE OFFICERS

#### Section 1. Officers.

(a) The officers of this Corporation shall include a Chairperson of the Board, a Vice Chairperson of the Board, a President and Chief Executive Officer ("CEO"), a Chief Financial Officer ("CFO"), a Secretary and a Chief Medical Officer ("CMO"), all of whom shall be selected in accordance with the provisions of this Article VIII. Neither the Chairperson of the Board nor the President/CEO may serve concurrently as the Secretary or CFO of this Corporation.

(b) The officers of this Corporation shall be appointed by the Corporate Member. Each shall hold office until her or his resignation or removal, other disqualification to serve or until her or his successor shall be elected and qualified.

(c) The Board of Directors may appoint such additional officers from among the members of the Board of Directors (including, for example, one (1) or more assistant Secretaries), as the business of this Corporation may require, each of whom shall serve for such period, have such authority and perform such duties as the Board of Directors from time to time may authorize.

Section 2. Removal of Officers. Any officer, other than the Chairperson of the Board, the President and CEO, the CFO and the CMO, may be removed, with or without cause, by a majority of Directors then in office, at any regular or special meeting of the Board. The Chairperson of the Board may be removed, with or without cause, only by the Corporate Member, and the President/CEO may be removed, with or without cause, only by the Corporate Member after consultation with the Board of Directors of this Corporation and the President/CEO of the Corporate Member. The CMO may be removed, with or without cause, only by the President/CEO of this Corporation with the concurrence of the President/CEO of the Corporate Member after consultation with the Board of Directors of this Corporation. The CFO may be removed, with or without cause, only by the President/CEO of this Corporation with the concurrence of the Chief Financial Officer of the Corporate Member after consultation with the Board of Directors of this Corporation. If a vacancy occurs in any office as a result of death, resignation, removal, disqualification or any other cause, the Board of Directors may delegate the powers and duties of such, office, except as otherwise provided in these Bylaws, to any officer or to any Director until such time as a successor for such office has been appointed. Any officer who is also a Director shall be automatically removed as such an officer upon her or his removal as a Director in accordance with the provisions of Article VI, Section 6 of these Bylaws.

Section 3. Chairperson of the Board. The Chairperson of the Board shall be appointed by the Corporate Member in connection with the appointment of the Directors. The Chairperson of the Board shall have the powers and duties usually associated with such office. The Chairperson of the Board shall preside over meetings of the Board of Directors, supervise activities of the Board, and serve as an ex officio voting member of all Board committees.

Section 4. President and Chief Executive Officer. The President/CEO shall be the chief executive officer of this Corporation, shall be an employee of Verity, and shall serve as a member of the Verity executive team. The President/CEO shall be appointed by the Corporate Member after consultation with this Corporation's Board of Directors and the President/CEO of the Corporate Member. He or she shall serve such term as may be determined by the Board of Directors. He or she shall report to and be accountable to this Corporation's Board of Directors and to the President/CEO of the Corporate Member and shall have general supervision, direction and control of the business, employees and independent contractors of this Corporation and shall be held responsible for the proper functioning and management of this Corporation. The President/CEO shall possess the degree of education and experience appropriate to the proper discharge of these responsibilities and, if a management or employment agreement may be in effect, meet all of the requirements set forth in the management or employment agreement. The President/CEO may sign, with the Secretary or any other officer of this Corporation as authorized by this Corporation's Board of Directors, any instrument which this Corporation's Board of Directors has authorized to be executed. The Chairperson of the Board of this Corporation and the President/CEO of the Corporate Member shall initiate and conduct periodic performance reviews of the President/CEO of this Corporation, taking into account the advice and comments of this Corporation's Board of Directors. Subject to the control of this Corporation's Board of Directors and the direction of the Corporate Member, the President/CEO shall organize the administrative functions of this Corporation, delegate duties and establish formal means of accountability on the part of her or his subordinate officers. The President/CEO shall have the general powers and duties of management usually vested in the chief executive officer under the California Nonprofit Public Benefit Corporation Law and shall have other powers and duties as may be prescribed by this Corporation's Board of Directors, these Bylaws, and the policies of the Corporate Member.

Section 5. Vice Chairperson of the Board. The Vice Chairperson of the Board shall be elected from among the Directors and, in the absence or disability of the Chairperson of the Board, shall perform all duties of the Chairperson of the Board and, when so acting, shall have all powers of and be subject to all restrictions upon the Chairperson of the Board. In the absence of both the Chairperson of the Board and the Vice Chairperson of the Board, the Board shall select one of its members, other than the Secretary or CFO, to act as Chairperson of the Board.

Section 6. Secretary. The Secretary shall be appointed initially by the Corporate Member and thereafter shall be elected from among the Directors and shall keep or cause to be kept at the principal office or at such other place as the Board of Directors may determine, a book of minutes of all meetings of the Directors, whether annual, regular or special, with the time and place of the meeting, the notice given, the names of those present at the meeting, the proceedings thereat and, if a special meeting, how it was authorized. The Secretary shall give or cause to be given notice of all meetings of the Board of Directors required by these Bylaws or by law. The Secretary shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

Section 7. Chief Financial Officer. The CFO shall and according to the direction of the Board of Directors and the President/CEO, keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of this Corporation, including accounts of its assets, liabilities, receipts,

disbursements, gains, losses and capital. The CFO shall deposit all monies and other valuables in the name and to the credit of this Corporation with such depositories as may be designated by the Board of Directors. The CFO shall disburse the funds of this Corporation as may be ordered by the Board of Directors, shall render to the President/CEO, the Directors or the Chief Financial Officer of the Corporate Member, whenever they request it, an account of all transactions and of the financial condition of this Corporation, and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws. The CFO shall be appointed by and subject to removal by the President/CEO of this Corporation as a corporate employee with the concurrence of the Chief Financial Officer of the Corporate Member after consultation with the Board of Directors of this Corporation. He or she shall serve such term as may be determined by the Board of Directors. He or she shall report to and be accountable to the President/CEO of this Corporation and the Chief Financial Officer of the Corporate Member.

Section 8. Chief Medical Officer. The CMO shall have administrative oversight over the clinical programs and related activities of each chapter of this Corporation. The CMO shall manage physician relationships and clinical provider staff, including the provision of physician support services, the conduct of physician outreach activities and this Corporation's participation in education and research activities. In addition, the CMO shall coordinate clinical quality standards. The CMO shall be appointed by and shall be subject to removal by the President/CEO of this Corporation with the concurrence of the President/CEO of the Corporate Member after consultation with the Board of Directors of this Corporation, and shall report to and be accountable to the Board of Directors of this Corporation and to the President/CEO of this Corporation and the President/CEO of the Corporate Member.

Section 9. Reporting Relationship of Certain Corporate Officers to the Board of Directors. Persons serving from time to time in the positions of Corporate Responsibility Officer and Vice President and General Counsel shall report to and be accountable to the Board of Directors and the President/CEO and each of them shall be entitled to confidential access to the Chairperson and other members of the Board of Directors as necessary or advisable to carry out such person's duties in such position.

Section 10. Resignation. Any officer may resign at any time by giving written notice to this Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation is without prejudice to the rights, if any, of this Corporation under any contract to which the officer is a party.

Section 11. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.



## ARTICLE IX

### COMMITTEES

#### Section 1. Generally.

(a) The Board of Directors may by resolution establish (1) Committees of the Board which shall have legal authority to act for this Corporation, subject to the authority of any Health System-wide committees appointed by Verity, and (2) Advisory Committees. Committees may be either standing or special. Members of all committees shall serve at the pleasure of the Board. Any Committee of the Board which shall have legal authority to act for this Corporation, to the extent provided in a resolution of the Board adopted by a majority of the Directors then in office, shall have all authority of the Board, except with respect to:

- (i) The approval of any action for which the California Nonprofit Public Benefit Corporation Law or these Bylaws also require approval of the Corporate Member, or a majority of this Corporation's Board of Directors;
- (ii) The filling of vacancies on the Board of Directors or on any committee that has the authority of the Board;
- (iii) The amendment or repeal of any resolution of the Board of Directors that by its express terms is not so amendable or repealable;
- (iv) The appointment of other Committees of the Board or members thereof; or
- (v) The approval of any self-dealing transaction, except as provided in Section 5233(d)(3) of the California Nonprofit Public Benefit Corporation Law.

(b) The Board of Directors shall have the power to prescribe the manner in which proceedings of any committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless these Bylaws, the Board or such committee shall otherwise provide, the regular and special meetings and other actions of any committee shall be governed by the provisions of Article VII of these Bylaws. Each committee shall keep minutes of its proceedings and shall report the same to the Board from time to time, as the Board of Directors may require. The Board of Directors shall review the charter of each committee governed by a charter at least once every two years.

Section 2. Committees of the Board. Only Directors may be appointed as members of Committees of the Board. Each Committee of the Board shall consist of two or more Directors. The Chairperson and members of Committees of the Board shall be appointed by the Board of Directors by resolution adopted by a majority of the Directors then in office. The Board may

designate one or more Directors as alternate members of any such committee, who may replace any absent member at any meeting of the committee.

Section 3. Advisory Committees. Advisory Committees may consist of two or more persons and may consist of Directors only, Directors and non-Directors, or non-Directors only, and may include non-voting members and alternate members. The Chairperson and members of Advisory Committees shall be appointed by the Chairperson of the Board or the Board of Directors. Advisory Committees shall have no legal authority to act for this Corporation.

Section 4. Executive Committee.

(a) There may be an Executive Committee which, if established, shall consist of some such members of the Board of Directors as the Board may designate. The Chairperson of the Executive Committee shall be the person then serving as Chairperson of the Board. The Executive Committee shall have authority to act for this Corporation, subject to the provisions of Section 1 of this Article.

(b) The establishment of an Executive Committee and the delegation of authority to it shall not operate to relieve the Board of Directors or any individual Director of any responsibility imposed on it or him or her by law, by the Articles of Incorporation of this Corporation or these Bylaws.

(c) The Executive Committee shall meet at such times as it deems necessary, provided that reasonable notice of all meetings of the Executive Committee shall be given to its members and no act of the Executive Committee shall be valid unless approved by the vote of a majority, or by the unanimous written consent, of its members.

Section 5. Finance Committee. The Finance Committee shall be an Advisory Committee and shall operate in accordance with a charter adopted by the Board of Directors as in effect from time to time. It shall consist of not fewer than four members, all of whom shall be or shall be capable of becoming familiar with basic financial statements and accounting principles, and all of whom shall be deemed by the Board of Directors to be free of any relationship that would interfere with independent judgment. The members of the Committee shall include the President and Chief Executive Officer of the Corporation, the Treasurer of the Corporation, the Chief Financial Officer of the Corporate Member, and at least one other person who is not an officer of the Corporation. The Committee shall have general surveillance over the finances of the Corporation, shall approve the annual budget of and any financial statements prepared by the Corporation, and shall make regular reports and recommendations to the Board of Directors. If there is no separate Audit Committee, the Finance Committee shall be responsible for performing the functions of the Audit Committee as set forth in these Bylaws.

Section 6. Audit Committee. The Audit Committee shall be an Advisory Committee and shall operate in accordance with a charter adopted by the Board of Directors as in effect from time to time. It shall consist of not fewer than three members, all of whom shall be or shall be capable of becoming familiar with basic financial statements and accounting principles, and all of whom shall be deemed by the Board of Directors to be free of any relationship that would

interfere with independent judgment. The Committee shall meet quarterly, and shall meet at least annually with the outside auditor or auditors of the Corporation in the absence of all members who are employees of the Corporation or any Affiliate controlled by the Corporation. The Committee shall have general surveillance over the auditing of the financial records of the Corporation, shall approve the financial statements prepared by the Corporation, and shall make regular reports and recommendations to the Board of Directors, all subject to the authority of the audit committee of Verity or any Health System-wide audit committee that may be established by Verity from time-to-time.

Section 7. Quality and Patient Safety Committee. The Quality and Patient Safety Committee shall be an Advisory Committee and shall operate in accordance with a charter adopted by the Board of Directors as in effect from time to time. The Quality and Patient Safety Committee shall consist of not fewer than three members, all of whom shall be or shall be capable of becoming familiar with basic issues and requirements affecting the quality performance of acute-care hospitals. At least one member of the Committee shall be a Director, and at least one shall be the Chief Medical Officer of the Corporation or, if none exists, the Chief of Staff or other senior physician practicing in a facility affiliated with the Corporation, appointed by the Board of Directors, and the President and Chief Executive Officer of the Corporation and the Vice President of Quality of the Corporate Member shall be each a member ex officio with vote. The Quality and Patient Safety Committee shall meet a minimum of six times a year, shall present regular reports to the Board of Directors and shall oversee the establishment and implementation of an ongoing quality assurance program in accordance with its charter, including, for example and without limitation: review of reports from the administration and the medical staff of the Corporation addressing quality performance, assessment of the impact of the Committee's oversight on quality performance, review of information regarding patient experience; evaluation of the adequacy of resources allocated to quality improvement, and monitoring of participation in national quality improvement efforts.

Section 8. Term of Office. The Chairperson and each member of a standing committee shall serve until the next election of Directors and until his or her successor is appointed or until such committee is sooner terminated or until he or she is removed, resigns or otherwise ceases to qualify as a member of the committee. The Chairperson and each member of a special committee shall serve for the life of the committee unless they are sooner removed, resign or cease to qualify as members of such committee.

Section 9. Vacancies. Vacancies on any committee may be filled for the unexpired portion of the term in the same manner as provided in the case of original appointments.

Section 10. Quorum. At all committee meetings, a majority of committee members then serving, but not less than two (2), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of committee members present, whether or not a quorum, may adjourn any committee meeting to another time and place. The act of a majority of the committee members present at a meeting at which there is a quorum shall be the act of the committee. Notwithstanding previous provisions of this Section, the committee members present at a meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of committee members, so long as any action taken is approved by at least a majority of the required quorum for such meeting.

## ARTICLE X

### MEDICAL STAFF

#### Section 1. Organization, Appointments and Hearings.

(a) The Corporation shall maintain an organized medical staff that is accountable to the Board of Directors. The Board of Directors shall have the ultimate authority and responsibility for the oversight and delivery of health care rendered by all licensed independent practitioners and other practitioners granted practice privileges at health facilities licensed in the name of this Corporation. The Board of Directors shall organize the physicians, dentists, podiatrists and such other categories as may be permitted by law and granted practice privileges at health facilities licensed in the name of this Corporation into one or more staffs ("Medical Staff") under Medical Staff bylaws approved by the Board of Directors. The Board of Directors shall also make provision for credentialing and privileging through the medical staff process of such categories of licensed independent practitioners and other practitioners as the Board of Directors may authorize under Medical Staff bylaws approved by the Board of Directors) the "Allied Health Professional Staff"). The Board of Directors shall consider recommendations of the Medical Staff and appoint to the Medical Staff and the Allied Health Professional Staff such practitioners as meet the qualifications for membership and privileges set forth in the Medical Staff bylaws. Only members of the Medical Staff may admit patients. Each member of the Medical Staff and the Allied Health Professional Staff shall have appropriate authority and responsibility for the care of her or his patients, subject to the limits of her or his licensure and privileges, as delineated by the Board of Directors, and subject to such limits as are contained in these Bylaws and in the Bylaws, Rules and Regulations of the Medical Staff.

(b) All applications for appointment to the Medical Staff and the Allied Health Professional Staff shall be in writing and addressed to the Medical Staff secretary. They shall contain full information concerning the applicant's education, licensure, practice, previous hospital experience and any history with regard to licensure and hospital privileges.

(c) All appointments to the Medical Staff and the Allied Health Professional Staff shall be for a maximum period of two (2) years, renewable by the Board of Directors upon re-application. When an appointment is denied or not renewed, or when privileges have been or are proposed to be denied, reduced, suspended or terminated, the affected practitioner shall be afforded a fair hearing and review conducted in accordance with the hearing and appeal provisions of the Medical Staff bylaws.

(d) Liaison among the Board, Administration, the Medical Staff and the Allied Health Professional Staff shall be accomplished as determined by the Board of Directors from time to time.

#### Section 2. Medical Care and Evaluation.

(a) The Medical Staff shall be responsible to the Board of Directors for providing appropriate professional care to patients and for overseeing the quality of care, treatment and services delivered by the Medical Staff and the Allied Health Professional Staff,

evaluating the competency of practitioners, delineating the privileges of members of the Medical Staff and the Allied Health Professional Staff, and providing leadership in performance improvement activities of the Corporation.

(b) The Board of Directors, in the exercise of its responsibility to establish, maintain and support an ongoing performance improvement program, shall delegate to the Medical Staff initial authority for assuring appropriate professional care by members of the Medical Staff to patients. The Medical Staff shall discharge this responsibility through a continuing review, analysis, and appraisal of the quality of care provided by members of the Medical Staff and the Allied Health Professional Staff and an appropriate response to findings. Such performance improvement activities shall be regularly reported, together with their results and recommended responses, to the Board of Directors.

(c) The Medical Staff and the Allied Health Professional Staff shall maintain adequate and accurate medical records for all patients.

(d) The Medical Staff shall make recommendations to the Board of Directors concerning:

- (i) Appointments, re-appointments and alterations to Medical Staff and Allied Health Professional Staff status;
- (ii) Granting, revocation and alteration of privileges;
- (iii) Corrective and disciplinary actions;
- (iv) All matters relating to professional competency; and
- (v) Such specific matters as may be referred to it by the Board of Directors.

### Section 3. Medical Staff Bylaws.

(a) There shall be Bylaws, Rules and Regulations for the Medical Staff setting forth its organization and government. Proposed Medical Staff bylaws, rules and regulations shall be recommended and approved by the Medical Staff and shall become effective only upon their approval by the Board of Directors, which approval shall not be unreasonably withheld.

(b) The Medical Staff Bylaws shall include procedures for:

- (i) written, well-defined criteria for appointment, precluding the possibility of discrimination according to color, national origin, race, creed, sex or age;
- (ii) appointment, reappointment, delineation of privileges, curtailment and revocation of privileges;

- (iii) an appeals mechanism for review of decisions to deny, curtail or revoke privileges;
  - (iv) a performance improvement program by which patient care is regularly evaluated and verification of this evaluation and of responsive actions taken is provided to the Board of Directors;
  - (v) attestation by signature of each practitioner that he or she will abide by the Medical Staff Bylaws, Rules and Regulations and the policies of the Corporation and Health System;
  - (vi) communication between the Board of Directors and the Medical Staff through the Executive Committee of the Medical Staff;
  - (vii) requiring that only a licensed practitioner with clinical privileges shall be directly responsible for a patient's diagnosis and treatment within the area of such practitioner's privileges; each patient's general medical condition shall be the responsibility of a physician member of the Medical Staff; each patient admitted shall receive a baseline history and physical examination by a physician or other licensee who has the requisite privileges; a physician member of the Medical Staff shall be responsible for the care of any medical problems that may be present at the time of admission or that may arise during hospitalization;
  - (viii) the selection and appointment of officers of the Medical Staff and of Medical Staff department chairpersons, all of whom shall be subject to approval of the Board of Directors;
  - (ix) restricting membership in the Medical Staff to physicians, dentists, podiatrists and, when authorized, clinical psychologists, and membership in the Allied Health Professional Staff to licensed independent practitioners in categories approved for privileges who are competent in their respective fields, worthy in character and in professional ethics; and
  - (x) maintaining self-government by the Medical, Staff with respect to the professional work performed at the Corporation and periodic meetings of the Medical Staff to review and analyze clinical experience at regular intervals, with patient medical records as the basis for such review and analysis.
- (c) The Medical Staff Bylaws shall provide that:
- (i) there shall be no discrimination with respect to Medical Staff privileges or the provision of professional services against a licensed physician on the basis of whether that physician holds an M.D. or a D.O. degree; and

- (ii) whenever staffing requirements for a service mandate that the physician responsible for the service be certified or eligible for certification by an appropriate American Medical board, such position may be filled by an osteopathic physician who is certified or eligible for certification by the equivalent appropriate American osteopathic board.

Section 4. Medico-Administrative Personnel. Except as specified in written requirements for such positions, physicians and specified professional personnel engaged by this Corporation either full time or part time as employees or independent contractors in any medico-administrative positions, shall not be required to maintain membership on the Medical Staff. Members of the Medical Staff in medico-administrative positions may be terminated from their contractual relationship with this Corporation according to corporate policy or according to the terms of their contracts.

## ARTICLE XI

### GENERAL PROVISIONS

Section 1. Voting Interests. Subject to the limitations of Article VI, Section 2 of these Bylaws (Reserved Powers of the Corporate Member), the Corporation may vote any and all shares or other voting securities held by it in any other corporation or other entity and may exercise any and all membership rights held by it in any other corporation. Such action shall be undertaken or evidenced on behalf of this Corporation by such officer, agent or proxy as the Board of Directors may appoint or, in the absence of any such appointment, by the Chairperson of the Board or by an officer who is also a Director and, in such case, such person may likewise appoint a proxy to vote such securities.

Section 2. Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to this Corporation and any and all securities owned or held by this Corporation requiring signature for transfer shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by the Board of Directors.

Section 3. Execution of Contracts. Except as otherwise provided in these Bylaws, and subject to the System Authority Matrix, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute any instrument in the name of and on behalf of this Corporation and such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind this Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 4. Inspection of Corporate Records. The accounting books and records of this Corporation, the minutes of proceedings of this Corporation's Board of Directors and Committees, and the minutes of proceedings of the Corporate Member acting in its capacity as member of this Corporation shall be open to inspection upon the written request by the Corporate Member or any Director at any reasonable time and for any purpose reasonably related to the

interests of the Corporate Member, or the Director, as applicable. Such inspection may be made in person or by an agent or attorney.

Section 5. Annual Report. The Board of Directors shall cause an annual report to be sent to each Director of this Corporation and to the Corporate Member, no later than one hundred twenty (120) days after the close of this Corporation's fiscal or calendar year. Such annual report shall be prepared in conformity with requirements of the California Nonprofit Corporation Law.

Section 6. Fiscal Year. The fiscal year of this Corporation shall begin on the first day of July each year and end on June 30th of the following year.

Section 7. Review of Bylaws. At least once every two (2) years, the Board of Directors shall review, or delegate to an appropriate committee the review of, these Bylaws and recommend revisions to the Corporate Member as necessary to assure their compliance with all relevant requirements for licensure and accreditation of the health care facilities of the Corporation by state agencies and The Joint Commission, respectively.

Section 8. Financial Statements Must Be Made Available. If the Corporation prepares an audited financial statement, such audited financial statement shall be made available for inspection by the California Attorney General and by all members of the public no later than nine months after the close of the relevant fiscal year in the same manner as the Corporation's Internal Revenue Service Form 990. Each annual financial statement shall be made available to the public for three years.

Section 9. Executive Compensation Review and Approval. The Board, or any authorized Committee of the Board, shall review and approve the compensation, including benefits, of the President and CEO and the CFO to ensure that each such officer's compensation is just and reasonable. Such review and approval shall occur when the officer is initially hired, whenever the officer's term of employment is renewed or extended, and when the officer's compensation is modified, unless such modification applies to substantially all employees.

## ARTICLE XII

### INDEMNIFICATION AND INSURANCE

Section 1. Indemnification. To the full extent permitted by law and in the manner provided by law, this Corporation may, and if the law requires it shall, indemnify against liability and hold harmless any person who was or is a party to or is threatened to be a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a Director, officer, employee or other agent of this Corporation when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or other agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise. The foregoing rights of indemnification shall not be deemed to be exclusive of any other rights to which such person may be entitled under applicable law, and shall continue as to a person who has ceased to be a Director, officer, employee, or other agent of this Corporation and shall inure to the benefit of



the estate, executors, administrators, heirs, legatees or devisees of any such person to the extent such action, suit or proceeding survives the death of such person.

Section 2. Payment of Expenses. This Corporation may pay expenses, including attorney's fees, incurred in defending any action, suit or proceeding referred to in this Article in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case and as permitted by law.

Section 3. Insurance. This Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or other agent of this Corporation when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or other agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise, against any claim or liability asserted against such person and incurred in any such capacity, or arising out of such person's status as such, whether or not this Corporation would be required or would have the power to indemnify such person against such liability under this Article or otherwise.

## ARTICLE XIII

### MAINTAINING A UNIFIED HEALTH SYSTEM

Section 1. Generally. In order to ensure the relationships between organizations in the Health System that are necessary to maintain a unified system, this Corporation, in accordance with policies established by the Corporate Member, shall require that the governing document or documents of any entity of which this Corporation is the sole member or controlling organization contain the following:

(a) Provisions that reserve to this Corporation the powers over such entity as may be required by applicable Health System policies;

(b) Provisions that reserve to such entity powers over organizations it controls, as may be required by applicable Health System policies; and

(c) Provisions that require such entity to require that the governing document or documents of organizations it controls contain a provision that reserves to this Corporation, to the Corporate Member of this Corporation or to such entity, as the case may be, the powers set forth in these Bylaws, the governing document or documents of such entity or applicable Health System policies. The term "governing document or documents" is used in this Article as a generic term to describe the organizational documents by which an entity is legally formed in a particular state and includes, but is not limited to, articles of incorporation, bylaws, governing resolutions, articles of partnership, joint venture agreements, operating agreements and any other document that creates or governs the organization or entity.

Section 2. Exercise of Reserved Powers. All action by this Corporation as the sole member or controlling person of an Affiliate shall be taken by this Corporation's Board of Directors.

## ARTICLE XIV

### GENDER AND NUMBER

Words used herein regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

## ARTICLE XV

### AMENDMENTS

These Bylaws or any part thereof may be amended or repealed or new Bylaws may be adopted by the affirmative vote of the Corporate Member.

## **EXHIBIT 4**

Draft

FORM OF AMENDED AND RESTATED ARTICLES FOR DIRECT SUBSIDIARY  
HOSPITALS OF VERITY HEALTH SYSTEM OF CALIFORNIA, INC.

AMENDED AND RESTATED  
ARTICLES OF INCORPORATION

OF

[NAME]

The undersigned certify that:

1. 1. They are the President/CEO and the Secretary, respectively, of [NAME], a California nonprofit religious corporation (the "Corporation")

2. The Articles of Incorporation of this Corporation shall be amended and restated to read in full as set forth in Exhibit A attached hereto and incorporated herein by this reference.

3. The foregoing amendment and restatement of the Articles of Incorporation has been duly approved by the board of directors and the sole member of this Corporation.

4. This Corporation has one member.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: \_\_\_\_\_, 2015

\_\_\_\_\_  
President/CEO

\_\_\_\_\_  
Secretary

**Exhibit A**

**AMENDED AND RESTATED  
ARTICLES OF INCORPORATION**

**ARTICLE I**

The name of this Corporation is “[NAME]”

**ARTICLE II**

A. This Corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law of the State of California for public and charitable purposes. In furtherance of the foregoing, this Corporation may do all of the following: (1) establish, acquire, develop, operate, lease, manage, and maintain acute care hospitals and appurtenant facilities; (2) promote and carry on scientific research related to the delivery of health care services; (3) establish, manage, and maintain various types of health plans, utilizing health delivery systems designed and coordinated to maximize benefits to the communities served; (4) participate in any activity designed and carried on to promote the general health of the community; and (5) make donations, transfer assets, and provide other forms of aid and assistance to, for the benefit of, or in connection with Verity Health System of California, Inc., a California nonprofit public benefit corporation (“Verity”) or any of its affiliates. Notwithstanding the foregoing specific statement of purposes, the Corporation shall have and may exercise all of the power of a California nonprofit public benefit corporation, but only in furtherance of the above purposes.

B. In addition to the foregoing purposes, this Corporation is organized and operated primarily for charitable, scientific and educational purposes within the meaning of § 501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provision of any future United States Internal Revenue Law) (the “IRC”), and for scientific and charitable and educational purposes within the meaning of § 214(a)(15) of the California Revenue and Taxation Code (or the corresponding section of any future California revenue and tax law) (the “R&TC”). In furtherance of these purposes, this Corporation may:

(1) Support and foster the corporate purposes of Verity, and aid, assist and confer benefits upon Verity and its affiliates.

(2) Cooperate with health care institutions and membership institutions of Verity in their respective efforts to promote quality service at reasonable rates.

(3) Promote cooperation and the exchange of knowledge and experience within the health system established and operated by Verity.

(4) Engage in any lawful activities within the purposes and powers for which a corporation may be organized under the California Nonprofit Public Benefit Corporation Law and as may be necessary or expedient for the administration of the affairs and attainment of the purposes of this Corporation.

(5) Otherwise operate for charitable, scientific and educational purposes within the meaning of § 501(c)(3) of the IRC and within the meaning of § 214(a)(6) of the R&TC, in the course of which operation:

- (a) No part of the net earnings of this Corporation shall inure to the benefit of, or be distributable to, any private shareholder or individual, except that this Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein.
- (b) No substantial part of the activities of this Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and this Corporation shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of any candidate for public office except as authorized under the IRC and R&TC.
- (c) Notwithstanding any other provisions of these Articles, this Corporation shall not carry on any other activities not permitted to be carried on by (i) a corporation exempt from federal income tax under § 501(a) of the IRC, or by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC, or ii) by a corporation exempt from taxation under § 214 of the R&TC.

### ARTICLE III

The name and address in the State of California of this Corporation's agent for service of process is:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### ARTICLE IV

The street and mailing address of this Corporation is [ADDRESS].

#### ARTICLE V

This Corporation shall have one member (the "Corporate Member"). The Corporate Member shall be Verity.

#### ARTICLE VI

The property and assets of this Corporation are irrevocably dedicated to charitable, educational and scientific purposes meeting the requirements of § 214 of the R&TC. Upon the winding up and dissolution of this Corporation, its assets remaining, after payment or adequate provision for payment of all debts and obligations of this Corporation, shall be distributed in accordance with a plan of liquidation approved by the Board of Directors to: (a) the Corporate Member, if it is organized and operated exclusively for public and charitable purposes and has established its tax exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or if for any reason it is unable to take such assets for such purpose; (b) such organization or organizations determined by the Board of Directors and organized and operated exclusively for charitable, educational or scientific purposes as shall at the time qualify as an exempt organization or organizations under § 501(c)(3) of the IRC and under § 214 of the R&TC. No assets shall be distributed to any organization if any part of the net earnings of such organization inures to the benefit of any private person or individual, or if a substantial part of the activities of such organization is the carrying on of propaganda or otherwise attempting to influence legislation, or if the organization participates in, or intervenes in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office, or if the organization carries on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under § 501(c)(3) of the IRC and meeting the requirements of § 214 of the R&TC or (ii) by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC.

#### ARTICLE VII

These Articles shall be amended only upon approval by this Corporation's Board of Directors and the Corporate Member.

## **EXHIBIT 5**





**DCHS POLICIES AND PROCEDURES**  
**SECTION 04: CORPORATE RESPONSIBILITY**

**POLICY/PROCEDURE #:** 04.01.01

**TITLE:** CONFLICT OF INTERESTS DISCLOSURES BY THE  
BOARD OF DIRECTORS AND BOARD  
COMMITTEES

**BOARD APPROVAL DATE:** May 23, 2008

**EFFECTIVE DATE:** May 23, 2008

**REVISION DATE:** December 2, 2011

Robert Issai, President /CEO

**Reference to Policy/Procedure #:** 04.01.02 Conflict of Interests Disclosures by Covered  
Associates, Physician Leaders, and Other  
Designated Persons

**Purpose**

The purpose of this policy is to protect the Corporation's interests when it is contemplating entering into a transaction or arrangement that may also benefit a Director and/or family member personally.

This policy applies to Board members, Board officers, and members of Board committees, herein referred to as "Directors". A related policy (Policy/Procedure 04.01.02 "Conflict of Interests Disclosures by Covered Associates, Physician Leaders, and Other Designated Persons") applies to associates (including employed officers and other members of senior management) and physician leaders. A conflict of interests exists when a Director has a personal financial interest that may influence the decisions that the Director makes on behalf of the Corporation.

This policy provides a systematic and ongoing method of assisting Directors in disclosing and addressing potential and actual conflicts of interests.

## Principles

Directors must exercise their fiduciary duties in a manner consistent with the mission and values of Daughters of Charity Health System (DCHS). Directors must exercise the utmost good faith and fair dealing in all transactions touching their duties to the Corporation, scrupulously avoiding conflicts of interests, whether potential, actual or perceived, to ensure that the Corporation and its Board of Directors conduct activities in a fair and unbiased manner.

## Definitions

For the purpose of this Policy/Procedure, the following definitions apply:

1. **Corporation:** DCHS and its affiliates including, but not limited to, O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, St. Vincent Dialysis Center, Seton Medical Center, Seton Coastside, Caritas Business-Services, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, Seton Health Services Foundation, St. Francis Medical Center of Lynwood Foundation, St. Vincent Foundation, and the DCHS Medical Foundation.
2. **Family:** Anyone related to the Director through blood, marriage, adoption, domestic partnership, or anyone living in the Director's household.
3. **Favors:** Something offered without requesting the monetary value in return, such as discounts, meals, entertainment, tuition, seminars, and conferences.
4. **Financial Interest:** A Director or Family member has, directly or indirectly, a current or potential
  - Ownership or investment interest in; or
  - Compensation arrangement with; or
  - Other economic interest in any of the following:
    - i. The Corporation; or
    - ii. Any entity or individual with which the Corporation has a transaction or arrangement; or
    - iii. Any entity or individual with which the Corporation is negotiating a transaction or arrangement; or
    - iv. Any entity or individual that competes with the Corporation.

"Compensation" includes direct and/or indirect remuneration, as well as gifts or Favors in excess of \$300 in any calendar year.

"Ownership or investment" excludes interests of less than 1% in entities whose securities are publicly listed and have \$75 million or more of stockholders equity.

5. **Potential Conflict of Interests:** A Financial Interest is not necessarily a conflict of interests. Directors have a duty to disclose all Financial Interests for purposes of evaluation. The Board or Board committee, as applicable, shall decide whether a conflict of interests exists.

### Procedures

#### 1. Duty to Disclose

Directors have an ongoing duty to disclose Financial Interests, when such Financial Interests may be potential or actual conflicts of interests. Directors have a duty to disclose Financial Interests relating to specific corporate transactions, annually, and otherwise during the year, in accordance with the procedures below.

#### 2. Disclosures Related to Specific Corporate Transactions

When a potential conflict of interests arises or any situation arises in which a Director may be in doubt, the Director must disclose the material facts to the other Board members or Board committee. Disclosure of the Financial Interest shall be made prior to the Board or committee voting on such transaction or arrangement. Such disclosure may be made in person or in writing, as the Chair of the Board or committee may direct.

After disclosure of the Financial Interest and all material facts, the Director may be asked to clarify or provide additional information relevant to the Financial Interest. After all needed information is obtained by the Board or committee, the Director shall not be present during evaluation of the disclosure. The remaining Board or committee members shall decide if a conflict of interests exists.

If a determination is made that a conflict of interests does indeed exist, action may be taken as listed below.

- A. The Chair of the Board or committee may, if appropriate, appoint a disinterested Director or committee to consider alternatives to the proposed transaction or arrangement.
- B. After exercising due diligence, the disinterested members of the Board or committee shall determine whether the Corporation can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interests.
- C. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interests, the Board or committee shall determine by a majority vote of the disinterested Directors or committee members whether the transaction or arrangement is fair and reasonable to the Corporation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

- D. The Director shall not be present when the transaction is voted on and only disinterested Directors or committee members may vote to approve the transaction.
- E. At their discretion, disinterested Board or committee members may require the Director to leave the room while the proposed transaction is discussed. The disinterested members shall balance the need for independence of the determination with the need to have the Director on hand to answer questions or provide additional information to assist the Board or committee.
- F. To the extent permitted by applicable state law and the Corporation's governing documents, Directors may be counted in determining the presence of a quorum of a meeting where a potential conflict of interests has been disclosed.
- G. Prior to corporate approval of a contract or transaction in which a Financial Interest of a Director has been identified, counsel shall be consulted to determine whether any additional steps before such approval are required under California or federal law, including the California Nonprofit Corporation Law and the Internal Revenue Code and accompanying regulations.

**3. Annual and Ongoing Disclosure Requirements for Directors**

- A. **Annual Disclosure Statement:** The President and Chief Executive Officer of the Corporation or designee shall annually send the Conflict of Interests Disclosure Statement to all Directors, immediately following the annual meeting of the Board of Directors. Not later than January 31 of each year, each Director shall complete and sign a Conflict of Interests Disclosure Statement in the Exhibit to this policy.
- B. **Ongoing Requirements for Disclosures by Directors:** If any Financial Interest of a Director changes which gives rise to a potential or actual conflict of interests while the Director is serving, the Director shall promptly provide an updated Conflict of Interests Disclosure Statement to the Chair of the Board.
- C. Directors shall submit completed Conflict of Interests Disclosure Statements to the Chair of the Board. Conflict of Interests Disclosure Statements shall be made a matter of record.
- D. The information of each Conflict of Interests Statement can be compiled into a summary report for review by the Chair of the Board at their request.
- E. The Chair of the Board will address any conflict of interests issues.
- F. The Chair of the Board will report all Director conflict of interests findings (if any) and resolutions to the Board of Directors.

#### **4. Documentation of Disclosures**

- A. The minutes of the Board and all Board committees will contain the following:
  - i. The name of each Director who disclosed or otherwise was found to have a Financial Interest that was an actual or potential conflict of interests, a general statement as to the nature of the interest, the evaluation, and the Board's or committee's determination as to whether a conflict of interests in fact existed.
  - ii. The names of the persons who were present for discussions and votes relating to the transaction, a summary of the discussion that identifies whether any alternatives to the proposed transaction were considered, and a record of any votes taken in connection therewith.
- B. The President/CEO or designee shall maintain for 10 years a confidential record of the disclosure, evaluation of the facts, conclusion, and (if any) action taken to address the conflict.

#### **5. Violations of this Policy**

- A. If the Board or committee has reasonable cause to believe that a Director has failed to disclose an actual or potential conflict of interests, it shall inform the Director of the basis for such belief and afford the Director an opportunity to explain the alleged failure to disclose.
- B. After hearing the response of the Director and making such further investigation, as may be warranted, if the Board or committee determines that the Director has failed to disclose an actual or potential conflict of interests, it will take such action as it considers appropriate, which may include disciplinary and corrective action.

#### **6. Members Precluded from Voting on Matters relating to Compensation**

- A. **Voting Member of Board:** A voting member of the Board of Directors who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.
- B. **Physician Member of Board:** A physician who is a voting member of the Board of Directors and receives compensation, directly or indirectly, from the Corporation is precluded from discussing and voting on matters pertaining to the member's or another physician's compensation. No physician or physician Director, either individually or collectively, is prohibited from providing information to the Board of Directors regarding physician compensation.
- C. **Voting Member of Committee:** A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.

D. Physician Participation on Committee: Physicians who receive compensation, directly or indirectly, from the Corporation, whether as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

7. **Confidentiality Agreement**

Each Director shall sign a Confidentiality Agreement in order to protect the confidentiality of Board deliberations. A Confidentiality Agreement is included in the Conflict of Interests Disclosure Statement.

**Implementation and Review of this Policy**

This policy is to be implemented by:  
**LHM Board of Directors Chair**

This policy is to be reviewed annually for compliance and relevance by:  
**DCHS Corporate Responsibility Officer**

**Exhibit - Conflict of Interests Disclosure Statement**

Exhibit to Policy/Procedure 04.01.01

**CONFLICT OF INTERESTS DISCLOSURE STATEMENT  
AND CONFIDENTIALITY AGREEMENT  
Board of Directors and Board Committee Members**

Name: \_\_\_\_\_

Name of Corporation: \_\_\_\_\_

Title (check one):                      Director [    ]    Committee Member [    ]

Filing Period (check one):        Initial [    ]    Annual [    ]        Specific Event [    ]

Received by: \_\_\_\_\_

Date Received by Filing Officer: \_\_\_\_\_

Please answer the following questions:

**DEFINITIONS.** Capitalized terms used herein shall have the meanings set forth in the Conflict of Interests Policy 04.01.01. Refer to the "Definitions" section of the policy.

**DISCLOSURE OF FINANCIAL INTEREST.** Please fill out a new Disclosure Statement each time you become aware of a Financial Interest.

1. Do you or your Family members have, directly or indirectly, a current or potential ownership or investment interest in any of the following:
  - a. The Corporation?    Yes [    ]    No [    ]
  - b. Any entity or individual with which the Corporation has a transaction or arrangement?  
Yes [    ]    No [    ]
  - c. Any entity or individual with which the Corporation is negotiating a transaction or arrangement?    Yes [    ]    No [    ]
  - d. Any entity or individual that competes with the Corporation?  
Yes [    ]    No [    ]

("Corporation" includes DCHS and its affiliates.)

("Ownership or investment" excludes interests of less than 1% in entities whose securities are publicly listed and have \$75 million or more of stockholders equity.)

("Investment" interest includes outstanding bonds and debts.)

For each answer "yes" above, provide on a separate sheet information regarding all such interests (i.e., who holds the financial interest, your relationship to them, name of entity or individual with which the financial interest is held, nature of financial interest, dollar amount, number of shares, percentage ownership, etc.).

2. Do you or your Family members have, directly or indirectly, a current or potential compensation arrangement with any of the following:
- a. The Corporation? Yes [ ] No [ ]
  - b. Any entity or individual with which the Corporation has a transaction or arrangement? Yes [ ] No [ ]
  - c. Any entity or individual with which the Corporation is negotiating a transaction or arrangement? Yes [ ] No [ ]
  - d. Any entity or individual that competes with the Corporation? Yes [ ] No [ ]

("Corporation" includes DCHS and its affiliates.)

("Compensation" includes direct and indirect remuneration, as well as gifts or Favors in excess of \$300 in any calendar year.)

For each answer "yes" above, provide on a separate sheet information regarding all such compensation arrangements (i.e., who has the compensation arrangement, your relationship to them, name of entity or individual they have a compensation arrangement with, nature of the compensation arrangement, dollar amount, etc.).

3. **OTHER DIRECTORSHIPS.** List the names of all entities for which you serve as a member of the Board of Directors and the estimated amount of annual compensation you receive, if any, from such entities for your service as a Director (attach additional sheets if necessary):

_____	\$	_____
_____	\$	_____
_____	\$	_____
_____	\$	_____
_____	\$	_____

4. **OTHER POSITIONS.** List the names of all entities which transact business with the Corporation or compete with the Corporation and with which you serve in any capacity (other than as Director, including directive, managerial or consultative) and the estimated amount of annual compensation you receive, if any, from such entities for such service (attach additional sheets if necessary):

_____	\$	_____
_____	\$	_____
_____	\$	_____



5. **BORROWINGS.** Disclose the terms (i.e., amount, interest rate, security given, and duration) of any loans (of money or other property) where you are the borrower and the lender is a patient, individual or entity that transacts business with the Corporation.

---

---

6. **GIFTS OR FAVORS.** Disclose all cash gifts (regardless of the amount of cash) and any non-cash gifts or Favors which you or members of your Family have received from individuals or entities which transact business or seek to transact business with the Corporation.

---

---

7. **OTHER.** I hereby disclose the following circumstances which may involve a possible conflict of interests:

---

---

8. **CONFIDENTIALITY AGREEMENT.** I recognize that Board and committee meetings of the Corporation are conducted in strictest confidence and matters are discussed that are sensitive in nature and, therefore, confidential and proprietary. Accordingly, I agree in connection with any and all participation at meetings of the Board of Directors or committees of the Board to maintain all information, whether or not specifically identified as confidential and proprietary, in strictest confidence, absent specific authorization to release or disclose information to third parties by the Board of Directors or its President. By signature below, I also certify that neither I (nor any member of my Family) have disclosed or used information relating to the Corporation for the personal profit or advantage of myself or any member of my Family.

9. AFFIRMATION.

- I hereby acknowledge receiving a copy of the Conflict of Interests policy 04.01.01.
- I have read, understand, and agree to comply with the terms of the policy.
- I understand that the Corporation is a charitable organization and that, in order to maintain its federal tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.
- I have disclosed any and all interests and activities that I or members of my Family have or have taken part in, that when considered in conjunction with my position with or relation to the Corporation, might possibly constitute a conflict of interests.
- I agree to refrain from voting or using my personal influence on any matter that may represent a conflict of interests.
- I agree to refrain from accepting gifts or Favors, gratuities or entertainment intended to influence my judgment or actions concerning the business of the Corporation.
- If any situation should arise in the future which may involve me in a conflict of interests in accordance with the policy, I will promptly provide a new Disclosure Statement to the Chair of the Board.

SIGN AND DATE:

\_\_\_\_\_

Date: \_\_\_\_\_

Copy to: President/CEO

**EXHIBIT 6**

**AMENDED AND RESTATED**  
**ARTICLES OF INCORPORATION**  
**OF**  
**DAUGHTERS OF CHARITY HEALTH SYSTEM**

The undersigned certify that:

1. They are the President/CEO and the Secretary, respectively, of Daughters of Charity Health System, a California nonprofit religious corporation (the "Corporation").
2. The Articles of Incorporation of this Corporation are amended and restated to read in full as set forth in Exhibit A attached hereto and incorporated herein by this reference.
3. The foregoing amendment and restatement of the Articles of Incorporation has been duly approved by the board of directors and the sole member of this Corporation.
4. This Corporation has one member.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: \_\_\_\_\_, 2015

\_\_\_\_\_  
President/CEO

\_\_\_\_\_  
Secretary

## Exhibit A

### AMENDED AND RESTATED ARTICLES OF INCORPORATION

#### ARTICLE I

The name of this Corporation is "Verity Health System of California, Inc."

#### ARTICLE II

A. This Corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law of the State of California for public and charitable purposes. More specifically, the Corporation is organized and operated exclusively for the support and benefit of, to perform the functions of, or to carry out the purposes of the following organizations: O'Connor Hospital, Saint Louise Regional Hospital, St. Vincent Medical Center, St. Francis Medical Center, Seton Medical Center, Verity Medical Foundation, Verity Business Services, and St. Vincent Dialysis Center. In furtherance of the foregoing, this Corporation may do all of the following: (1) establish, acquire, develop, operate, lease, manage, and maintain acute care hospitals, physician practices, medical foundations and appurtenant facilities and related enterprises (collectively referred to as the "Verity Health System"); (2) promote and carry on scientific research related to delivery of health care services; (3) establish, manage, and maintain various types of health care enterprises, utilizing health delivery systems designed and coordinated to maximize benefits to the communities served; (4) participate in any activity designed and carried on to promote the general health of the community served by Verity Health System or any of this Corporation's affiliates; and (5) make donations, transfer assets and provide other forms of aid and assistance to, for the benefit of, or in connection with each organization that is controlled, directly or indirectly, by this Corporation or by another organization controlled by this Corporation (each, an "Affiliate"). Notwithstanding the foregoing specific statement of purposes, the Corporation shall have and may exercise all of the power of a California nonprofit public benefit corporation, but only in furtherance of the above purposes.

B. In addition to the foregoing purposes this Corporation is organized and operated primarily for charitable, scientific and educational purposes within the meaning of §501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provision of any future United States Internal Revenue Law) (the "IRC"), and within the meaning of § 214(a)(6) of the California Revenue and Taxation Code (or the corresponding section of any future California revenue and tax law) (the "R&TC") and, in furtherance of these purposes, this Corporation may:

- (1) Promote, support and engage in any and all educational, charitable and scientific programs which are now, or may hereafter be, established by any of the Affiliates.
- (2) Support and foster the corporate purposes of, and aid, assist and confer benefits upon the Affiliates.

- (3) Cooperate with the Affiliates in their respective efforts to promote quality service at reasonable rates.
- (4) Promote cooperation and the exchange of knowledge and experience within the Verity Health System.
- (5) Engage in any lawful activities within the purposes and powers for which a corporation may be organized under the California Nonprofit Public Benefit Corporation Law and as may be necessary or expedient for the administration of the affairs and attainment of the purposes of this Corporation.
- (6) Otherwise operate for charitable, scientific and educational purposes within the meaning of § 501(c)(3) of the IRC and within the meaning of § 214(a)(6) of the R&TC, in the course of which operation:
  - (a) No part of the net earnings of this Corporation shall inure to the benefit of, or be distributable to, any private shareholder or individual, except that this Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein.
  - (b) No substantial part of the activities of this Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and this Corporation shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of any candidate for public office except as authorized under the IRC and R&TC.
  - (c) Notwithstanding any other provisions of these Articles, this Corporation shall not carry on any other activities not permitted to be carried on by (i) a corporation exempt from federal income tax under § 501(a) of the IRC, or by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC, or (ii) by a corporation exempt from taxation under § 214 of the R&TC.

### ARTICLE III

The name and address in the State of California of this Corporation's agent for service of process is:

[TBD]

---

---

---

#### ARTICLE IV

The street and mailing address of this Corporation is 26000 Altamont Road, Los Altos, California 94022-4317.

#### ARTICLE V

This Corporation shall have no members.

#### ARTICLE VI

The property of this Corporation is irrevocably dedicated to charitable, educational, and scientific purposes meeting the requirements of § 214 of the R&TC and in Article II.B hereof. Upon the winding up and dissolution of this Corporation, its assets remaining, after payment or adequate provision for payment of all debts and obligations of this Corporation, shall be distributed in accordance with a plan of liquidation approved by the Board of Directors to such organization or organizations determined by the Board of Directors and organized and operated exclusively for charitable, educational or scientific purposes as shall at the time qualify as an exempt organization or organizations under § 501(c)(3) of the IRC and under § 214 of the R&TC. No assets shall be distributed to any organization if any part of the net earnings of such organization inures to the benefit of any private person or individual, or if a substantial part of the activities of such organization is the carrying on of propaganda or otherwise attempting to influence legislation, or if the organization participates in, or intervenes in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office, or if the organization carries on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under § 501(c)(3) of the IRC and meeting the requirements of § 214 of the R&TC or (ii) by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC.

#### ARTICLE VII

These Articles shall be amended only upon approval by this Corporation's Board of Directors.

**EXHIBIT 7**



AMENDED AND RESTATED  
BYLAWS  
OF  
VERITY HEALTH SYSTEM OF CALIFORNIA, INC.

Adopted  
as of \_\_\_\_\_, 2015

## TABLE OF CONTENTS

	<u>Page(s)</u>
Article I NAME .....	1
Article II DEFINITIONS .....	1
Article III PURPOSES AND MISSION.....	2
Article IV OFFICES AND SEAL.....	2
Article V BOARD OF DIRECTORS .....	2
Article VI MEETINGS OF THE BOARD OF DIRECTORS.....	8
Article VII CORPORATE OFFICERS .....	9
Article VIII COMMITTEES.....	14
Article IX GENERAL PROVISIONS .....	18
Article X INDEMNIFICATION AND INSURANCE .....	19
Article XI MAINTAINING A UNIFIED HEALTH SYSTEM .....	20
Article XII GENDER AND NUMBER.....	20
Article XIII AMENDMENTS .....	21

**AMENDED AND RESTATED**  
**BYLAWS OF**  
**VERITY HEALTH SYSTEM OF CALIFORNIA, INC.**

**ARTICLE I**

**NAME**

The name of this Corporation shall be as set forth in its Articles of Incorporation.

**ARTICLE II**

**DEFINITIONS**

Section 2.1 Definitions. These Bylaws contain the terms “Affiliate” and “Health System.” These terms are also used in the bylaws of the entities comprising the Health System. For purposes of continuity, when used in these Bylaws, such terms shall be interpreted to give full effect to the intent of Article XI of these Bylaws.

A. Affiliate. The term “Affiliate” shall mean, individually, each organization that is controlled, directly or indirectly, by this Corporation or by another organization controlled by this Corporation. As used in this definition, “control” shall mean (a) the status of sole corporate member of an organization; or (b) the authority to appoint, elect or approve at least a majority of the governing body of an organization.

B. Effective Date. The “Effective Date” shall mean the date of adoption of these Bylaws.

C. Health System. “Health System” shall mean, collectively, this Corporation and its Affiliates.

D. Subsidiary. “Subsidiary” shall mean an Affiliate that is under the direct control of another Affiliate.

E. System Authority Matrix. “System Authority Matrix” shall mean the document as in effect from time to time which sets forth the respective responsibilities and authorities for Health System operations and decision making.

F. Other Capitalized Terms. Capitalized terms used in these Bylaws and not otherwise defined herein are used herein with the meanings given them in the California Nonprofit Corporation Law.

### ARTICLE III

#### PURPOSES

Section 3.1 Purposes. The purposes of this Corporation are set out in its Articles of Incorporation as in effect from time to time.

### ARTICLE IV

#### OFFICES AND SEAL

Section 4.1 Offices. The principal office for the transaction of the business of this Corporation shall be in the County of Santa Clara, State of California. This Corporation may also have an office or offices within or without the State of California, as the Board of Directors may from time to time establish.

Section 4.2 Seal. This Corporation may have a common seal inscribed with the name of this Corporation.

### ARTICLE V

#### BOARD OF DIRECTORS

Section 5.1 Powers. Subject to the provisions of this Corporation's Articles of Incorporation, these Bylaws, the System Authority Matrix, and the laws of the State of California, the activities and affairs of this Corporation shall be managed and conducted and all corporate powers shall be exercised by or under the direction of this Corporation's Board of Directors. To facilitate the management and conduct of this Corporation's activities and affairs, the Board of Directors shall establish corporate policies for, and formulate the basic rules and regulations governing the operation and management of, this Corporation. The Board of Directors may delegate the management and conduct of this Corporation's activities and affairs to any person or persons, management company, or committee however composed, provided that no delegation of authority by the Board of Directors to the President and Chief Executive Officer (as defined in Section 7.8 below), or anyone else, shall preclude the Board of Directors from exercising the authority required to meet its governance responsibility for the management and conduct of this Corporation's activities and affairs; and provided further that any delegation of powers of the Board may be made only to a committee of the Board consisting only of directors and shall be subject to the further limitations on Board committees set forth in Section 8.1 of these Bylaws. The Board of Directors shall retain the right to rescind any such delegation.

Section 5.2 Specific Authority of the Board of Directors. Without limiting the generality of the foregoing, the Board of Directors has the power and authority to take or approve the following actions, subject to the System Authority Matrix:

- A. Approve or change the mission, role and/or purpose of this Corporation;

- B. Amend, restate, or repeal the Bylaws and Articles of Incorporation of this Corporation;
- C. Approve the merger, consolidation, reorganization, or dissolution of this Corporation and the disposition of the assets of this Corporation upon dissolution;
- D. Elect and remove the Directors of this Corporation;
- E. Approve any amendment of the approval rights of the Corporation set forth in the System Authority Matrix;
- F. Establish the overall debt limit governing the incurrence of debt and guaranties by this Corporation and its Affiliates and approve the incurrence of debt and guaranties of this Corporation or any of its Affiliates other than in accordance with such policies as in effect from time to time;
- G. Approve the capital and operating budgets of this Corporation;
- H. Establish the criteria for and approve the financial and strategic plans of the Corporation;
- I. Approve the sale, transfer, substantial change in use of the assets of the Corporation to the extent required by the System Authority Matrix; and
- J. Approve the formation by this Corporation of any new corporation or other legal entity, or its participation (excluding investment in publicly-traded securities) in any corporation or other entity as a shareholder, member, partner or joint venturer.
- K. Approve the selection of the external audit firm for the Corporation and its Affiliates; and
- L. Establish and appoint, and prescribe the duties and authorities of the audit, finance, and any other committee for the Health System that would substitute or supersede such committees of the governing bodies of the Affiliates to the extent allowed by applicable law.

Section 5.3 Specific Authority of the Corporation as Sole Corporate Member of Affiliates. The Board of Directors has the power and authority, in the name and on behalf of this Corporation, to take or approve the following actions with respect to its Affiliates, subject to the System Authority Matrix:

- A. Approve the formation, merger, dissolution, consolidation, divestiture, closure, change in corporate membership or control and reorganization of each direct Affiliate of this Corporation;
- B. Appoint and remove the chief executive officer and chairperson of the board of each of the Affiliates;

C. Approve the incurrence of debt and guaranties of any of its Affiliates other than in accordance with such policies as in effect from time to time;

D. Approve the sale, transfer, substantial change in use of the assets of any Affiliate to the extent required by the System Authority Matrix;

E. Approve any other action of this Corporation or any Affiliate controlled by this Corporation that has been established by resolution of the Board of Directors as requiring its approval, including but not limited to any approvals of authority necessary to ensure compliance with any credit agreement, master indenture or loan agreement to which this Corporation or any Affiliate controlled by this Corporation is a party.

Section 5.4 Board of Directors on the Effective Date. The Board of Directors on the Effective Date shall be those persons elected or appointed as specified in Section 2.1(a) of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, this Corporation, and Certain Funds Managed by BlueMountain Capital Management, LLC (“BMCM”) dated July 17, 2015.

Section 5.5 Number and Qualification.

A. Generally. The Board of Directors shall consist of no less than five (5) members, as follows:

(1) BMCM shall have the right to appoint not more than twenty percent (20%) of the number of Directors constituting the Board of Directors at any time (each a “BM Director Appointee”) during the period of time that its affiliate, Integrity Healthcare, LLC (the “Manager”), is providing management services to the Corporation pursuant to a management services agreement; and

(2) the remainder shall be persons nominated by the Nominating Committee as provided in Section 5.4 of these Bylaws and elected by the Board of Directors (the “At-Large Directors”).

B. Qualifications.

(1) At-Large Directors recommended by the Nominating Committee shall be selected in a manner that meets any applicable requirements for the Corporation to maintain its tax-exempt status. Collectively, the At-Large Directors shall have the experience and expertise appropriate to fulfillment of their fiduciary duties as independent directors of a California nonprofit public benefit corporation. In the ordinary course, this means they will have experience in complex business operations and have had involvement in non-profit tax-exempt organizations. They will have exercised judgment in challenging business settings, and will have experience in working with teams in reaching goals. The At-Large Directors shall have demonstrated a willingness to commit support for

the mission of the Corporation and training and experience in matters relevant to service as a member of the Board of Directors through:

- (1) participation in community affairs or in the work of other charitable organizations;
- (2) ability and willingness to contribute to the achievement of the purposes of the Corporation;
- (3) awareness of the objectives of the Corporation as they relate to the health needs of the Corporation's service area; and
- (4) such other criteria as may be recommended to the Nominating Committee by the Board of Directors.

(2) BM Director Appointees and At-Large Directors shall not, either directly or indirectly, personally or through a family member, have any financial relationship with BMCM, or its owned or managed affiliates, and may not serve as an officer, director, contractor or employee of BMCM, any managed fund, or entity in which BMCM has an equity stake or option to purchase, except for public companies wherein BMCM has an interest of less than 10%.

C. Restriction on Interested Directors. Not more than forty-nine percent (49%) of the persons serving on the Board of Directors at any time may be interested persons. An interested person is (i) any person currently being compensated by this Corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor or otherwise, but excluding any reasonable compensation paid to a Director as Director; or (ii) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law or father-in-law of any such person. However, any violation of the provisions of this Section shall not affect the validity or enforceability of any transaction entered into by this Corporation.

Section 5.6 Nomination and Election of At-Large Directors. Candidates for At-Large Directors may be recommended by any member of the Board of Directors to the Nominating Committee, constituted in accordance with Section 8.7 of these Bylaws. Except as otherwise provided in this Section 5.6, and acting by the unanimous consent or vote of all of its members, the Nominating Committee shall nominate At-Large Director candidates to the Board of Directors and the Board of Directors shall elect the Directors of this Corporation at its annual meeting or at any other time designated by the Board of Directors. Notwithstanding the foregoing, if, after taking votes on two candidates for the same Director seat, the Nominating Committee does not vote unanimously for one of two initially considered candidates, then the affirmative vote needed to formally nominate a candidate to the Board of Directors may be by simple majority of the members of the Nominating Committee. The Nominating Committee shall notify the Board of Directors in writing of nominees at least ten (10) business days in advance of any regular or special meeting of the Board of Directors at which Directors are to be

elected. At the next regular or special meeting of the Board of Directors, the Board of Directors shall either elect or reject as an At-Large Director any nominees provided by the Nominating Committee. If any Director positions remain unfilled, the nomination procedure shall be repeated and new names nominated in accordance with the procedures set forth in this Section, until all Director positions are filled.

Section 5.7 Term. Each appointed Director shall hold office for a term of one (1) year or such other period as the Board of Directors may set and until his or her successor is elected or appointed and qualified. Appointed Directors may be reappointed in accordance with Section 5.5(A) of these Bylaws.

Section 5.8 Removal and Filling of Vacancies. Any or all Directors may be removed from office, with or without cause, by the Board of Directors, except that the removal of a BM Director Appointee also requires the agreement of BMCM. The Board of Directors may declare vacant the office of a Director who has been removed; who has been declared of unsound mind by a final order of court or convicted of a felony, or who has been found, by a final order or judgment of any court, to be in breach of any duty owed to the Corporation under California law. In the event a Director shall be so removed or his or her office is declared vacant, a new Director to fill the unexpired term or terms of the Director who was removed or whose office was declared vacant may be appointed by the Board of Directors from nominees selected by the Nominating Committee, except that the vacant seat of a BM Director Appointee can only be filled by a new appointment by BMCM in accordance with Section 5.5(A) of these Bylaws. At all times the Board of Directors shall have not more than twenty percent (20%) of its members appointed by BMCM.

Section 5.9 Resignation. Any Director may resign at any time by delivering her or his resignation in writing to the Chairperson of the Board of Directors, or the Secretary or to the Board of Directors of the Corporation at its principal office; provided that, except upon notice by the Attorney General, no Director may resign if the Corporation would then be left without a duly elected Director or Directors in charge of its affairs. Such resignation shall be effective upon receipt unless specified to be effective at some other time.

Section 5.10 Compensation and Expenses. Directors may receive such reasonable compensation (within the meaning of Internal Revenue Code Section 4958), if any, for serving as Director, and advances or reimbursement for reasonable expenses, as may be fixed or determined by the Board of Directors. Directors may receive compensation from the Corporation for services rendered to it, subject to the restriction on interested Directors as set forth in Section 5.5(C).

Section 5.11 Self-Dealing Transactions. This Corporation shall not enter into self-dealing transactions. Except as provided in Section 5.11(A), for the purpose of this section, a self-dealing transaction means a transaction to which this corporation is a party and in which one or more of the members of its Board of Directors or officers has a material financial interest and which does not meet the requirements of Sections 5.11(B) or 5.11(C). Such a member of the Board of Directors is an "interested director" for the purpose of this section.



A. Exceptions. The provisions of this section do not apply to any of the following:

(1) An action of the Board of Directors fixing the compensation of a member of the Board of Directors as an officer of this corporation.

(2) A transaction which is part of a public or charitable program of this corporation if it (i) is approved or authorized by this corporation in good faith and without unjustified favoritism and (ii) results in a benefit to one or more members of the Board of Directors or their families because they are in the class of persons intended to be benefited by the public or charitable program.

(3) A transaction, of which the interested director or directors have no actual knowledge, and which does not exceed the lesser of one percent of the gross receipts of this corporation for the preceding fiscal year or one hundred thousand dollars (\$100,000).

B. Prior Board of Directors Approval. This Corporation may enter into a self-dealing transaction if all of the following facts are established:

(1) This Corporation entered into the transaction for its own benefit;

(2) The transaction was fair and reasonable as to this Corporation at the time this Corporation entered into the transaction;

(3) Prior to consummating the transaction or any part thereof the Board of Directors authorized or approved the transaction in good faith by a vote of a majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors, and with knowledge of the material facts concerning the transaction and the director's interest in the transaction. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction. Except as provided in Paragraph 5.11(C)(1), action by a committee of the Board of Directors shall not satisfy this paragraph; and

(4) Prior to authorizing or approving the transaction the Board of Directors considered and in good faith determined after reasonable investigation under the circumstances that this corporation could not have obtained a more advantageous arrangement with reasonable effort under the circumstances or (ii) this corporation in fact could not have obtained a more advantageous arrangement with reasonable effort under the circumstances.

C. Subsequent Board of Directors Approval. This corporation may enter into a self-dealing transaction if all of the following facts are established:

(1) A committee or person authorized by the Board of Directors approved the transaction in a manner consistent with the standards set forth in Section 5.11(B);

(2) It was not reasonably practicable to obtain approval of the Board of Directors prior to entering into the transaction; and

(3) The Board of Directors, after determining in good faith that the conditions of subparagraphs (1) and (2) of this Section were satisfied, ratified the transaction at its next meeting by a vote of the majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction.

## ARTICLE VI

### MEETINGS OF THE BOARD OF DIRECTORS

Section 6.1 Place of Meeting. All meetings of the Board of Directors shall be held at the principal office of this Corporation or at such other place as may be designated for that purpose in the notice of the meeting or, if not stated in the notice or there is no notice, at such place as may be set by resolution of the Board.

Section 6.2 Meetings by Telephone or Electronic Communication. Directors may participate in any meeting of the Board of Directors, regular or special, through the use of conference telephone, electronic video screen communication, or electronic transmission by and to the Corporation. Participation in a meeting through conference telephone or electronic video screen communication constitutes presence in person at that meeting so long as all members participating are able to hear one another. Participation in a meeting through electronic transmission other than telephone conference or electronic video transmission constitutes presence at that meeting so long as both of the following apply: (A) each member participating in the meeting can communicate with all of the other members concurrently; (B) each member is provided the means of participating in all matters before the Board of Directors, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the Corporation.

Section 6.3 Annual Meetings. The Board of Directors shall hold an annual meeting for the purpose of organizing the Board, the election of officers, and the transaction of such other business as may come before the meeting. The annual meeting shall be held at such time as the Board may fix by resolution from time to time. No notice of the annual meeting of the Board of Directors need be given.

Section 6.4 Regular Meetings. Regular meetings of the Board of Directors shall be held at such time as the Board may fix by resolution from time to time. No notice of any regular meeting of the Board of Directors need be given.

Section 6.5 Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairperson of the Board or by two (2) or more Directors of this Corporation.

Section 6.6 Notice of Special Meetings. Notice of the time and place of special meetings shall be communicated personally or by telephone to each Director or sent to each Director by mail or other form of written communication, addressed to him or her at his or her address as it is shown on the records of this Corporation. Such notice, if mailed, shall be mailed at least seventy-two (72) hours prior to the time of the meeting, or if delivered personally, telephonically or telegraphically or by e-mail, shall be received at least forty-eight (48) hours prior to the time of the meeting.

Section 6.7 Waiver of Notice. Notice of a meeting need not be given to any Director who signs a waiver of notice or a written consent to hold the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 6.8 Quorum. At all meetings of the Board of Directors, a majority of the then serving Directors, but not less than two (2), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of the Directors present, whether or not a quorum, may adjourn any Directors' meeting to another time and place. The act of a majority of the Directors present at any time at which there is a quorum shall be the act of the Board of Directors, unless a greater number is required by law. Notwithstanding the previous provisions of this Section, the Directors present at a meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, so long as any action taken is approved by at least a majority of the required quorum for such meeting.

Section 6.9 Action Without Meeting. Any action required or permitted to be taken by the Board of Directors under any provision of law, the Articles of Incorporation or these Bylaws may be taken without a meeting if all of the Directors individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as the unanimous vote of such Directors. Any certificate or other document filed on behalf of this Corporation relating to an action taken by the Board without a meeting shall state that the action was taken by written consent of the Board of Directors without a meeting and that the Bylaws of the Corporation authorize its Directors to so act.

Section 6.10 Prohibition Against Voting by Proxy. Directors may not vote by proxy.

## ARTICLE VII

### CORPORATE OFFICERS

Section 7.1 Officers.

A. The officers of this Corporation shall include a Chief Executive Officer and President (“CEO”), Chairperson of the Board, Vice Chairperson of the Board, Chief Financial Officer (“CFO”), and a Secretary, all of whom shall be selected in accordance with the provisions of this Article VII. Any number of such offices may be held by the same person, but neither the Chairperson of the Board nor the President/CEO may serve concurrently as the Secretary or CFO of this Corporation.

B. Except as otherwise set forth in these Bylaws, the officers of this Corporation shall be chosen annually by the Board of Directors and shall hold office until his or her resignation or removal by the Board of Directors or, in the case of the President/CEO and Chief Financial Officer, by the Manager (during any time that the Management Agreement is in effect), other disqualification to serve, or until his or her successor shall be elected and qualified. Notwithstanding any provision to the contrary in these Bylaws, as long as the Management Agreement remains in effect and has not terminated or expired, the Manager (as defined in the Management Agreement) will be obligated to provide an acceptable President/CEO and Chief Financial Officer, all as set forth under the terms and conditions of the Management Agreement, and will have the right to terminate or remove the Chief Executive Officer and President and Chief Financial Officer, without the approval of the Board of Directors. In the event the Manager terminates the President/CEO or Chief Financial Officer, the Manager shall be required to provide a replacement of such officer to be approved by the Board of Directors. The Board of Directors shall have the right to require Manager to replace the President/CEO if the Board of Directors determines, in its sole judgment, that the President/CEO is unacceptable.

C. The Board of Directors may appoint such other officers from among the members of the Board of Directors, such as one or more assistant secretaries or treasurers, as the business of this Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board of Directors from time to time may authorize.

Section 7.2 Removal of Officers. Subject to any consultation or approval requirements under the System Authority Matrix, any officer may be removed, with or without cause, by a majority of Directors then in office, at any regular or special meeting of the Board, except that if an employment agreement is in effect for any officer, its terms shall govern the removal of the officer. Should a vacancy occur in any office as a result of death, resignation, removal, disqualification or any other cause, the Board of Directors may delegate the powers and duties of such office, except as otherwise provided in these Bylaws, to any officer or to any Director until such time as a successor for such office has been elected or appointed. Any officer shall be automatically removed as such an officer upon his or her removal as a Director in accordance with the provisions of Section 5.6 of these Bylaws.

Section 7.3 Chairperson of the Board. The Chairperson of the Board shall be elected from among the Directors and shall have the powers and duties usually associated with such

office. The Chairperson of the Board shall preside over meetings of the Board of Directors, supervise activities of the Board, and serve as an ex-officio voting member of all Board committees.

Section 7.4 Vice Chairperson of the Board. The Vice Chairperson of the Board shall be elected from among the Directors and, in the absence or disability of the Chairperson of the Board, shall perform all duties of the Chairperson of the Board and, when so acting, shall have all powers of and be subject to all restrictions upon the Chairperson of the Board. In the absence of both the Chairperson of the Board and the Vice Chairperson of the Board, the Board shall select one of its members, other than the Secretary or Treasurer, to act as Chairperson of the Board.

Section 7.5 Secretary. The Secretary shall be elected from among the Directors and shall keep or cause to be kept at the principal office or at such other place as the Board of Directors may determine, a book of minutes of all meetings of the Directors, whether annual, regular or special, with the time and place of the meeting, the notice given, the names of those present at the meeting, the proceedings thereat and, if a special meeting, how it was authorized. The Secretary shall give or cause to be given notice of all meetings of the Board of Directors required by these Bylaws or by law. He or she shall keep the corporate seal in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

Section 7.6 Treasurer. The Treasurer shall be elected from among the Directors and shall have the powers and duties usually associated with such office, subject to limitation or extension by the Board of Directors. The Treasurer shall keep and maintain or cause to be kept and maintained adequate and correct accounts of the properties and business transactions of this Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains and losses. The books of account shall at all times be open to inspection by any Director, or the Corporate Member. The Treasurer shall submit or cause to be submitted to the Board of Directors annual statements of receipts and expenditures.

Section 7.7 President and Chief Executive Officer. The President and the Chief Executive Officer shall be the chief executive officer of this Corporation, shall serve as a member of the Corporation's executive team, and shall be an employee of the Corporation, except that during any period that the Management Agreement is in effect he or she shall be an employee of the manager thereunder. Subject to the powers of the Manager (during any time that the Management Agreement is in effect), the President/CEO shall be appointed by and subject to the removal of the Board of Directors. He or she shall report to and be accountable to the Manager (during any time that the Management Agreement is in effect), and report to, be accountable to and subject at all times to the ultimate supervision and authority of the Corporation's Board of Directors, shall have general supervision, direction and control of the business and non-Director officers of this Corporation and shall be held responsible for the proper functioning and management of this Corporation. The President and Chief Executive Officer shall possess the degree of education and experience appropriate to the proper discharge of these responsibilities and, if a management or employment agreement may be in effect, meet all of the requirements set forth in the management or employment agreement. The Board of

Directors shall initiate and conduct periodic performance reviews of the President and Chief Executive Officer. Subject to the direction of the Manager (during any time that the Management Agreement is in effect) and the ultimate supervision and control of this Corporation's Board of Directors, the President and Chief Executive Officer shall organize the administrative functions of this Corporation, delegate duties and establish formal means of accountability on the part of his or her subordinate officers. The President and Chief Executive Officer may be an ex-officio voting member of all Advisory Committees, if so determined by the Board of Directors. He or she shall have the general powers and duties of management usually vested in the chief executive officer under the California Nonprofit Public Benefit Corporation Law and shall have other powers and duties as may be prescribed by this Corporation's Board of Directors, these Bylaws, and the System Authority Matrix.

These powers and duties shall include, but not be limited to, the following:

- A. to support and assist this Corporation in furtherance of its charitable purposes, consistent with the established philosophy and mission of the Health System;
- B. to direct and implement the goals, policies and programs established for the Health System;
- C. to promote a high standard of quality of care provided by the Health System through setting goals and objectives for quality improvement;
- D. to act as the representative of this Corporation to the public as well as to governmental and voluntary organizations;
- E. to make policy proposals to the Board of Directors and the Corporation's executives;
- F. to assume responsibility for strategic planning, financial planning, physical facilities, site development and program planning to meet the health needs of the community;
- G. to report to the Board of Directors and the Corporation's executives on the performance of this Corporation as well as on appropriate federal, state and local developments that affect health care therein;
- H. to attend all meetings of the Board of Directors and committees thereof, except as otherwise determined by the Board of Directors;
- I. to serve on such Advisory Board committees as determined by the Board of Directors;
- J. to assure proper day-to-day administration of this Corporation;

K. to prepare an annual budget and periodically report to the Board of Directors and to the Corporation's executives on this Corporation's financial affairs and condition;

L. in consultation with the Board of Directors, to appoint each Vice President of the Corporation, to set the terms and conditions of employment of the Vice Presidents and to evaluate their performance periodically, to assure the proper selection, employment, control and discharge of employees of the Corporation and the executives and officers of the Affiliates and Subsidiaries, and the development and maintenance of this Corporation's written personnel policies and practices;

M. to assure proper maintenance and to keep the physical properties of this Corporation in a good state of repair; and

N. to assure proper business management of this Corporation so that funds are collected and expended in keeping with sound business practice and with charity.

Section 7.8 Chief Financial Officer. The Chief Financial Officer shall, in coordination with the Treasurer, and according to the direction of the Board of Directors and the President/CEO, keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, and fund balance. The books of account shall at all reasonable times be open to inspection by any Director. The Chief Financial Officer shall deposit all monies and other valuables in the name and to the credit of the Corporation with such depositaries as may be designated by the Board of Directors. He or she shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the President and Chief Executive Officer, or the Directors whenever they request it, an account of all transactions as Chief Financial Officer and of the financial condition of the Corporation, and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws. Subject to the powers of the Manager (during any time that the Management Agreement is in effect), the Chief Financial Officer shall be appointed by and shall be subject to removal by the President and Chief Executive Officer of the Corporation. He or she shall report to and be accountable to the Board of Directors of this Corporation, the President and Chief Executive Officer, and the Manager (during any time that the Management Agreement is in effect).

Section 7.9 Reporting Relationship of Certain Corporate Officers to the Board of Directors. Persons serving from time to time in the positions of Corporate Responsibility Officer and Vice President and General Counsel shall report to and be accountable to the Board of Directors and the President and Chief Executive Officer and each of them shall be entitled to confidential access to the Chairperson and other members of the Board of Directors as necessary or advisable to carry out such person's duties in such position.

Section 7.10 Resignation. Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the

acceptance of the resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

Section 7.11 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

## ARTICLE VIII

### COMMITTEES

#### Section 8.1 Generally.

A. The Board of Directors may by resolution establish (1) Committees of the Board which shall have legal authority to act for this Corporation and, as determined by the Board of Directors, the Health System, and (2) Advisory Committees. Committees may be either standing or special. Members of all committees shall serve at the pleasure of the Board. Any Committee of the Board which shall have legal authority to act for this Corporation, to the extent provided in a resolution of the Board, shall have all authority of the Board, except with respect to:

- (1) The approval of any action for which the California Nonprofit Public Benefit Corporation Law or these Bylaws also require approval of a majority of this Corporation's Board of Directors;
- (2) The filling of vacancies on the Board of Directors or on any committee that has the authority of the Board;
- (3) The amendment or repeal of any resolution of the Board of Directors that by its express terms is not so amendable or repealable;
- (4) The appointment of other committees or members thereof;
- (5) The approval of any self-dealing transaction, except as provided in Section 5233(d)(3) of the California Nonprofit Public Benefit Corporation Law;
- (6) Any decision with respect to the retention or termination of the Chief Executive Officer, approval or amendment of any operating or capital budget, approval of the annual audit, amendment of these Bylaws, any unbudgeted capital expenditure, or any decision with respect to the acquisition, divestiture, sale or other disposition of Corporation's assets, or the creation of any new Corporation liabilities, or the exercise of any reserved power held by the Corporation with respect to any of the Affiliates.



B. The Board of Directors shall have the power to prescribe the manner in which proceedings of any committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless these Bylaws, the Board or such committee shall otherwise provide, the regular and special meetings and other actions of any committee shall be governed by the provisions of Article VII of these Bylaws. Each committee shall keep minutes of its proceedings and shall report the same to the Board from time to time, as the Board of Directors may require. The Board of Directors shall review the charter of each committee governed by a charter at least once every two years.

Section 8.2 Committees of the Board. Only Directors may be appointed as voting members of Committees of the Board. Each Committee of the Board shall consist of five (5) or more Directors, with at least one (1) member of each Committee being a BM Director Appointee. The Chairperson and members of Committees of the Board shall be appointed by the Board of Directors. The Board may designate one or more Directors as alternate members of any such committee, who may replace any absent member at any meeting of the committee.

Section 8.3 Advisory Committees. Advisory Committees may consist of two or more persons and may consist of Directors only, Directors and non-Directors, or non-Directors only, and may include non-voting members and alternate members. The Chairperson and members of Advisory Committees shall be appointed by the Chairperson of the Board or the Board of Directors. Advisory Committees shall have no legal authority to act for this Corporation.

Section 8.4 Executive Committee.

A. There may be an Executive Committee which, if established, shall consist of such members of the Board of Directors as the Board may designate, and shall include at least one BM Director Appointee. The Chairperson of the Executive Committee shall be the person then serving as Chairperson of the Board. The Executive Committee shall have authority to act for this Corporation, subject to the provisions of Section 8.1(A) of these Bylaws, as to those matters which may arise and cannot be handled in the ordinary course of regular or special meetings of the Board of Directors.

B. The establishment of an Executive Committee and the delegation of authority to it shall not operate to relieve the Board of Directors or any individual Director of any responsibility imposed on it or him or her by law, by the Articles of Incorporation of this Corporation or these Bylaws.

C. The Executive Committee shall meet at such times as it deems necessary, provided that reasonable notice of all meetings of the Executive Committee shall be given to its members and no act of the Executive Committee shall be valid unless approved by the vote of a majority, or by the unanimous written consent, of its members.

Section 8.5 Audit Committee. In a fiscal year in which the Corporation's gross revenue is \$2,000,000 or more, the Corporation shall appoint an audit committee (the "Audit Committee"), shall hire an independent auditor, and shall have such auditor prepare an audited

financial statement. Such \$2,000,000 threshold excludes grants received from and contracts and services with government entities for which the governmental entity requires an accounting of funds received.

A. Members. The Audit Committee may include non-Board members, but it may not include any members of the staff, the President/CEO, or the CFO. If the Corporation has a Finance Committee, it shall be separate from the Audit Committee. The Audit Committee may include members of the Finance Committee, but such overlapping members shall constitute less than half of the Audit Committee and the chairperson of the Audit Committee may not be a member of the Finance Committee. Any person who has any material financial interest in any entity doing business with the Corporation may not serve on the Audit Committee. Each member of the Audit Committee shall serve as such until such member's successor shall be appointed by the Board of Directors. In the event that any member of the Audit Committee shall resign or cease to be a Director of the Corporation, the vacancy thus caused shall be filled by the Board. The Audit Committee shall be an Advisory Committee and shall operate in accordance with this Section 8.5 and the charter adopted by the Board of Directors as in effect from time to time. The Audit Committee shall consist of not fewer than three members, all of whom shall be or shall be capable of becoming familiar with basic financial statements and accounting principles, and all of whom shall be deemed by the Board of Directors to be free of any relationship that would interfere with independent judgment. The Audit Committee shall meet at least quarterly, and shall meet at least annually with the outside auditor or auditors of the Corporation in the absence of all members who are employees of the Corporation or any Affiliate controlled by the Corporation.

B. Duties of the Audit Committee. Subject to the supervision of the Board, the Audit Committee shall exercise the following powers, responsibilities, and duties:

- (1) To make recommendations to the Board regarding the appointment, retention, and termination of the independent auditor for the corporation and the Affiliates;
- (2) To negotiate the auditor's compensation;
- (3) To confer with the auditor to satisfy its members that the financial affairs of the corporation and the Affiliates are in order;
- (4) To review the audit and decide whether to accept it; and
- (5) To assure that any non-audit services performed by the auditor conform to the applicable independent standards and to approve such nonaudit services.

C. Compensation. No member of the Audit Committee shall receive compensation for serving on the Audit Committee. An Audit Committee member may be reimbursed for reasonable expenses incurred in attending such meetings.

D. Control by the Board. The Audit Committee shall be subject at all times to the control of the Board, which shall have the power to revise or alter any action taken by the Audit Committee; provided, however, that no rights of third parties shall be affected thereby.

Section 8.6 Financial Statements Must Be Made Available. If the Corporation prepares an audited financial statement (either in accordance with Section 8.5 above or otherwise), such audited financial statement shall be made available for inspection by the California Attorney General and by all members of the public no later than nine months after the close of the relevant fiscal year in the same manner as the corporation's Internal Revenue Service Form 990. Each annual financial statement shall be made available to the public for three years.

Section 8.7 Nominating Committee. The Nominating Committee shall be a standing advisory committee and shall be composed of five (5) Directors appointed by the Chairperson, including one BM Director Appointee. The Nominating Committee shall have the authority and responsibility to:

A. Recruit, screen, and evaluate candidates for Directors of this Corporation and other entities in which the Corporation has the right or power to appoint directors or managers and shall solicit recommendations and input from all Directors, BlueMountain Capital Management, LLC, and Manager for nominees to the Board of Directors;

B. Nominate Director nominees to the Board of Directors, and of other entities for which this Corporation has the right to appoint directors or managers; and

C. Perform such other functions as may be assigned to it by the Board of Directors.

Section 8.8 Executive Compensation Review and Approval. During any period that the President/CEO and CFO are employed by the Corporation, rather than the Manager, the Board, or any authorized Committee of the Board, shall review and approve the compensation, including benefits, of the President/CEO and the CFO to ensure that each such officer's compensation is just and reasonable. Such review and approval shall occur when the officer is initially hired, whenever the officer's term of employment is renewed or extended, and when the officer's compensation is modified, unless such modification applies to substantially all employees.

Section 8.9 Term of Office. The Chairperson and each member of a standing committee shall serve until the next election of Directors and until his or her successor is appointed or until such committee is sooner terminated or until he or she is removed, resigns or otherwise ceases to qualify as a member of the committee. The Chairperson and each member of

a special committee shall serve for the life of the committee unless they are sooner removed, resign or cease to qualify as members of such committee.

Section 8.10 Vacancies. Vacancies on any committee may be filled for the unexpired portion of the term in the same manner as provided in the case of original appointments.

Section 8.11 Quorum. At all committee meetings, a majority of committee members then serving, but not less than three (3), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of committee members present, whether or not a quorum, may adjourn any committee meeting to another time and place. The act of a majority of the committee members present at a meeting at which there is a quorum shall be the act of the committee. Notwithstanding previous provisions of this Section, the committee members present at a meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of committee members, so long as any action taken is approved by at least a majority of the required quorum for such meeting.

## ARTICLE IX

### GENERAL PROVISIONS

Section 9.1 Voting Interests. The Corporation may vote any and all shares held by it in any other corporation and may exercise any and all membership rights held by it in any other corporation. Such action shall be undertaken or evidenced on behalf of this Corporation by such officer, agent or proxy as the Board of Directors may appoint or, in default of any such appointment, by the Chairperson of the Board or by an officer who is also a Director and, in such case, such person may likewise appoint a proxy to vote shares.

Section 9.2 Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to this Corporation and any and all securities owned or held by this Corporation requiring signature for transfer shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by the Board of Directors.

Section 9.3 Execution of Contracts. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute any instrument in the name of and on behalf of this Corporation and such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors or by the System Authority Matrix, no officer, agent or employee shall have any power or authority to bind this Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 9.4 Inspection of Corporate Records. The accounting books and records of this Corporation and the minutes of proceedings of this Corporation's Board of Directors and Committees shall be open to inspection upon the written request of any Director at any

reasonable time and for any purpose reasonably related to the interests of the Director. Such inspection may be made in person or by an agent or attorney.

Section 9.5 Annual Report. The Board of Directors shall cause an annual report to be sent to each Director of this Corporation no later than one hundred twenty (120) days after the close of this Corporation's fiscal or calendar year. Such annual report shall be prepared in conformity with requirements of the California Nonprofit Public Benefit Corporation Law.

Section 9.6 Dissolution. The property and assets of this Corporation are irrevocably dedicated to charitable, educational and scientific purposes. Upon the winding up and dissolution of this Corporation, its assets remaining, after payment or adequate provision for payment of all debts and obligations of this Corporation, shall be distributed in accordance with the dissolution provisions set forth in this Corporation's Articles of Incorporation.

Section 9.7 Fiscal Year. The fiscal year of this Corporation shall begin on the first day of July each year and end on June 30th of the following year.

Section 9.8 Review of Bylaws. At least once every two (2) years, the Board of Directors shall review these Bylaws and recommend changes.

## ARTICLE X

### INDEMNIFICATION AND INSURANCE

Section 10.1 Indemnification. To the full extent permitted by law and in the manner provided by law, this Corporation may, and if the law requires it shall, indemnify against liability and hold harmless any person who was or is a party to or is threatened to be a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a Director, officer, employee or agent of this Corporation when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise. The foregoing rights of indemnification shall not be deemed to be exclusive of any other rights to which such person may be entitled under applicable law, and shall continue as to a person who has ceased to be a Director, officer, employee, or agent of this Corporation and shall inure to the benefit of the estate, executors, administrators, heirs, legatees or devisees of any such person to the extent such action, suit or proceeding survives the death of such person.

Section 10.2 Payment of Expenses. This Corporation may pay expenses, including attorneys' fees, incurred in defending any action, suit or proceeding referred to in this Article in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case and as permitted by law.

Section 10.3 Insurance. This Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of this Corporation

when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise, against any claim or liability asserted against such person and incurred in any such capacity, or arising out of such person's status as such, whether or not this Corporation would be required or would have the power to indemnify such person against such liability under this Article or otherwise.

## ARTICLE XI

### MAINTAINING A UNIFIED HEALTH SYSTEM

Section 11.1 Generally. In order to establish the relationships among organizations in the Health System which are necessary to maintain a unified system, this Corporation shall require that the governing document or documents of any entity of which this Corporation is the sole corporate member or controlling organization contain the following:

- A. Provisions which reserve to this Corporation the powers over such entity, as may be required by applicable Health System policies;
- B. Provisions which reserve to such entity powers over organizations it controls, as may be required by applicable Health System policies; and
- C. Provisions which require such entity to require that the governing document or documents of organizations it controls contain a provision which reserves to this Corporation, the powers set forth in these Bylaws, the governing document or documents of such entity or applicable Health System policies (including the System Authority Matrix). The term "governing document or documents," is used in this Article as a generic form to describe the organizational documents by which an entity is legally formed in a particular state and includes, but is not limited to, articles of incorporation, bylaws, governing resolutions, articles of partnership, joint venture agreements, and any other document which creates or governs the organization or entity.

Section 11.2 Exercise of Reserved Powers. All action by this Corporation as the corporate member or controlling entity of an Affiliate shall be by this Corporation's Board of Directors.

## ARTICLE XII

### GENDER AND NUMBER

Words used herein regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

## ARTICLE XIII

### AMENDMENTS

These Bylaws or any part thereof may be amended or repealed or new Bylaws may be adopted by the affirmative vote of a majority of the Directors then in office.

**Conditions to Change in Control and Governance of Saint Louise Regional Hospital<sup>1</sup> and Approval of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Certain Funds Managed by BlueMountain Capital Management, LLC<sup>2</sup>, and Integrity Healthcare, LLC**

**I.**

These Conditions shall be legally binding on Daughters of Charity Ministry Services Corporation, a California nonprofit religious corporation, Daughters of Charity Health System, a California nonprofit religious corporation, Verity Health System of California, Inc., a California nonprofit public benefit corporation, St. Vincent Medical Center, a California nonprofit religious corporation, St. Francis Medical Center, a California nonprofit religious corporation, O'Connor Hospital, a California nonprofit religious corporation, Saint Louise Regional Hospital, a California nonprofit religious corporation, and Seton Medical Center, a California nonprofit religious corporation, St. Francis Medical Center of Lynwood Foundation, a California nonprofit religious corporation, St. Vincent Foundation, a California nonprofit religious corporation, Seton Medical Center Foundation, a California nonprofit religious corporation, O'Connor Hospital Foundation, a California nonprofit religious corporation, Saint Louise Regional Hospital Foundation, a California nonprofit religious corporation, Caritas Business Services, a California nonprofit religious corporation, Verity Business Services, a California nonprofit public benefit corporation, DCHS Medical Foundation, a California nonprofit religious corporation, Verity Medical Foundation, a California nonprofit public benefit corporation, St. Vincent de Paul Ethics Corporation, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Marillac Insurance Company, Ltd., a Cayman Islands corporation, DePaul Ventures, LLC, a California limited liability company, DePaul

---

<sup>1</sup> Throughout this document, the term "Saint Louise Regional Hospital" shall mean the general acute care hospital located at 9400 No Name Uno, Gilroy, CA 95020, and any other clinics, laboratories, units, services, or beds included on the license issued to Saint Louise Regional Hospital by the California Department of Public Health, effective January 1, 2015, unless otherwise indicated.

<sup>2</sup> The term "Certain Funds Managed by BlueMountain Capital Management, LLC" shall mean the following: BlueMountain Guadalupe Peak Fund, L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Summit Opportunities Fund II (US) L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BMSB L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Foinaven Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Logan Opportunities Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, and BlueMountain Monteners Master Fund SCA SICAV-SIF, a Luxembourg corporate partnership limited by shares, by BlueMountain Capital Management, LLC, its investment manager.



Ventures – San Jose ASC, LLC, a California limited liability company, DePaul Ventures – San Jose Dialysis, LLC, a California limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, the above-listed entities whose corporate status will be changed from a California nonprofit religious corporation to a California nonprofit public benefit corporation, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Saint Louise Regional Hospital, or the real property on which Saint Louise Regional Hospital is located, any and all current and future owners, lessees, licensees, or operators of Saint Louise Regional Hospital, and any and all current and future lessees and owners of the real property on which Saint Louise Regional Hospital is located.

These Conditions shall be legally binding on the following entities, as defined in Operating Asset Purchase Option Agreement, Operating Asset Purchase Agreement, Real Estate Purchase Option Agreement, and the Real Estate Purchase Agreement, when the closing occurs on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement: the Option Holders, Purchaser and its Affiliates, “OpCo” a Delaware limited liability company, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, and “PropCo” a Delaware limited liability company that will elect to be treated for tax purposes as a real estate investment trust, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, Integrity Healthcare, LLC, a Delaware limited liability company, Integrity Healthcare Blocker, LLC, a Delaware limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, managing member, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Saint Louise Regional Hospital, or the real property on which Saint Louise Regional Hospital is located, any and all current and future owners, lessees, licensees, or operators of Saint Louise Regional Hospital, and any and all current and future lessees and owners of the real property on which Saint Louise Regional Hospital is located.

## II.

The transaction approved by the Attorney General consists of the System Restructuring and Support Agreement dated July 17, 2015, Amendment No. 1 to System Restructuring and Support Agreement, and any agreements or documents referenced in or attached to as an exhibit or schedule and any other documents referenced in the System Restructuring and Support Agreement and Amendment No. 1 to System Restructuring and Support Agreement including, but not limited to:

- a. Transitional Consulting Services Agreement dated July 17, 2015;
- b. Health System Management Agreement with Integrity Healthcare, LLC;
- c. Debt Facility Commitment Letter dated July 17, 2015, signed by all the funds listed in footnote 2 and BlueMeridian Capital, LLC;
- d. Operating Asset Purchase Option Agreement;

- e. Operating Asset Purchase Agreement;
- f. Real Estate Purchase Option Agreement;
- g. Real Estate Purchase Agreement;
- f. Information Technology Lease Agreement; and
- g. Deposit Escrow Agreement dated July 17, 2015.

All the entities listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the above agreements shall fulfill the terms of these agreements or documents and shall notify and obtain the Attorney General's approval in writing of any proposed modification or rescission of any of the terms of these agreements or documents. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General's approval.

### III.

For fifteen years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital, and all future owners, managers, lessees, licensees, or operators of Saint Louise Regional Hospital shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Saint Louise Regional Hospital;
- (b) Transfer control, responsibility, management, or governance of Saint Louise Regional Hospital. The substitution or addition of a new corporate member or members of Saint Louise Regional Hospital or Verity Health System of California, Inc. that transfers the control of, responsibility for or governance of Saint Louise Regional Hospital, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of Saint Louise Regional Hospital or Verity Health System of California, Inc., or any arrangement, written or oral, that would transfer voting control of the members of the governing body of Saint Louise Regional Hospital or Verity Health System of California, Inc., shall also be deemed a transfer for purposes of this Condition.

### IV.

For at least ten years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain, provide, and expand the following 24-hour emergency medical services:

- a. 8 emergency treatment stations at a minimum; and
- b. Completion of the emergency expansion project that renovates the waiting area, triage spaces, registration, and adding four reclining chairs.

## V.

For ten years from the closing date of the System Restructuring and Support Agreement unless otherwise stated, Saint Louise Regional Hospital shall maintain, provide, and expand the following health care services at current<sup>3</sup> licensure, types, and/or levels of services:

- a. Intensive Care Services, including a minimum of 4 intensive care beds;
- b. Coronary Care Services, including a minimum of 4 coronary care beds;
- c. Obstetric Services, including a minimum of 10 beds;
- d. Stroke services including telemedicine program for stroke patients and designation as a Primary Stroke Center;
- e. Women's services including pregnancy and delivery services, maternal fetal medicine, mammography, stereotactic breast biopsy, and bone density screening; and
- f. Reproductive health services and expand such services to include those prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops.

Saint Louise Regional Hospital shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VI.

For at least five years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital shall maintain and provide the following services at current licensure, types, and/or levels of services:

- a. Cancer services including medical and surgical;
- b. DePaul Urgent Care Center open and available to patients 7 days a week;
- c. Wound Care and Hyperbaric Medicine Services, including debridement, compression therapy, growth factor therapy, blood flow measurement, and hyperbaric oxygen therapy;
- d. Pulmonary Rehabilitation Program; and
- e. Asthma and diabetes education.

Saint Louise Regional Hospital shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

---

<sup>3</sup> The term "current" or "currently" throughout this document means as of January 1, 2015.

## VII.

For at least ten years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital shall maintain physician on-call coverage agreements with currently contracted specialties and/or maintain other comparable coverage arrangements with physicians at fair market value.

## VIII.

For ten years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital shall:

- a) Be certified to participate in the Medi-Cal program;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at Saint Louise Regional Hospital to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause:
  - i.) Local Initiative: Santa Clara Family Health Plan or its successor;
  - ii.) Local Initiative: Santa Clara Valley Health Plan or its successor; and
  - iii.) Commercial Plan: Anthem Blue Cross of California or its successor.

If Saint Louise Regional Hospital questions whether it is being reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the Attorney General's Office with at least 120 days' notice prior to taking any action that would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.

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

## IX.

For six fiscal years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital shall provide an annual amount of Charity Care (as defined below) at Saint Louise Regional Hospital equal to or greater than \$1,863,857 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Saint Louise Regional Hospital in connection with the operation and provision of services at Saint Louise Regional Hospital. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be

the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>4</sup> Saint Louise Regional Hospital shall use and maintain a charity care policy that is no less favorable than Saint Louise Regional Hospital's current charity care policy and in compliance with California and Federal law. The planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at Saint Louise Regional Hospital shall be decided by the Saint Louise Regional Hospital Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XII.

Saint Louise Regional Hospital's obligation under this Condition shall be prorated on a daily basis if the closing date of the System Restructuring and Support Agreement is a date other than the first day of Saint Louise Regional Hospital's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-San Jose, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (as published by the U.S. Bureau of Labor Statistics).

While the Health System Management Agreement with Integrity Healthcare, LLC is in effect, if the actual amount of charity care provided at Saint Louise Regional Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Saint Louise Regional Hospital shall pay an amount equal to the deficiency as follows: 50% of the deficiency payment as a contribution to the Daughters of Charity Health System Retirement Plan (Defined Benefit Church Plan), as defined in the System Restructuring and Support Agreement, in addition to the contributions that are required by the amortization schedule and premium payments required under Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 (as amended); as set forth in section 7.3 in the System Restructuring and Support Agreement until the Defined Benefit Church Plan is fully funded, and 50% of the deficiency payment for capital expenditures as set forth in section 7.7 of the System Restructuring and Support Agreement for repairing and/or upgrading the hospital buildings and equipment including, but not limited to, seismic compliance as required in Condition XVI. Such payments shall be made within four months following the end of such fiscal year.

After the closing date on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, if the actual amount of charity care provided at Saint Louise Regional Hospital for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Saint Louise Regional Hospital shall pay an amount equal to the deficiency to one or more tax-exempt entities that

---

<sup>4</sup> OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as . . . charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

provide direct health care services to residents in Saint Louise Regional Hospital's service area (7 ZIP codes), as defined on page 60 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment(s) shall be made within four months following the end of such fiscal year.

The 2010 Federal Affordable Care Act may cause a reduction in future needs of charity care. Because of the impact of the Medi-Cal expansion in California and other effects from the 2010 Federal Affordable Care Act, the California Attorney General will consider adjusting the Minimum Charity Care Amount based on financial data submitted to OSHPD from time periods after implementation of the 2010 Federal Affordable Care Act. Any actual reduction will be considered "unforeseen" for purposes of Title 11, California Code of Regulations, section 999.5, subdivision (h). Once Saint Louise Regional Hospital submits its Annual Financial Disclosure Report to OSHPD for Fiscal Year 7/1/2015 to 6/30/2016, it may seek a request for an amendment of the Minimum Charity Care Amount beginning for Fiscal Year 7/1/2016 to 6/30/2017. The Attorney General's Decision on such a request will be issued within 90 days of the submission of all of the information required in Title 11, California Code of Regulations, section 999.5, subdivision (h)(2) and all the information requested by the Attorney General's Office.

## X.

For six fiscal years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital shall provide an annual amount of Community Benefit Services at Saint Louise Regional Hospital equal to or greater than \$873,145 (the "Minimum Community Benefit Services Amount") exclusive of any funds from grants. For six fiscal years, the following community benefit programs and services shall continue to be offered:

- a. Health Benefits Resource Center;
- b. RotaCare Lab Tests;
- c. Nursing Professional Education; and
- d. Health Professional Education.

The planning of, and any subsequent changes to, the community benefit services provided at Saint Louise Regional Hospital shall be decided upon by the Saint Louise Regional Hospital's Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XII.

Saint Louise Regional Hospital's obligation under this Condition shall be prorated on a daily basis if the effective date of the System Restructuring and Support Agreement is a date other than the first day of Saint Louise Regional Hospital's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-San Jose, CA Consolidated Metropolitan

Statistical Area Base Period: 1982-84=100” (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Saint Louise Regional Hospital for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Saint Louise Regional Hospital shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Saint Louise Regional Hospital’s service area (7 ZIP codes), as defined on page 60 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

## XI.

For at least ten years from the closing date of the System Restructuring and Support Agreement unless otherwise indicated, Saint Louise Regional Hospital shall maintain its contracts and any amendments and exhibits thereto with the County of Santa Clara for services, including the following:

- a. Hospital Designation Agreement By and Between the County of Santa Clara and Saint Louise Regional Hospital;
- b. Transfer Agreement Between County of Santa Clara and Saint Louise Regional Hospital For Neonatal and Pediatric Intensive Care Services;
- c. Agreement Between the County of Santa Clara and Saint Louise Regional Hospital For the Grant of Bioterrorism Hospital Preparedness Program;
- d. Agreement Between the County of Santa Clara and Saint Louise Regional Hospital For Use of Automated Vital Statistics System; and
- e. County of Santa Clara Hospital Mutual Aid System Memorandum of Understanding.

Saint Louise Regional Hospital shall request that the above-listed contracts be amended to remove any requirement to comply with and any reference to the “Ethical and Religious Directives for Catholic Health Care Services” as determined by the United States Conference of Catholic Bishops, if applicable.

For at least ten years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital shall provide to the Santa Clara County Public Health Department and Santa Clara County Mental Health Department information and documents related to staffing assessments, clinical guidelines, services provided, and technology needs for Saint Louise Regional Hospital. The goal is to ensure that Saint Louise Regional Hospital’s decisions or changes in these areas will not be motivated by a desire to move away from serving the Medi-Cal population. Such information and documents will also be provided to the Local Governing Board.

## **XII.**

For ten years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital shall have a Local Governing Board of Directors. Saint Louise Regional Hospital's Board of Directors shall consult with the Local Governing Board of Directors prior to making changes to medical services, community benefit programs, making capital expenditures including the spending of the funds for the "Capital Commitment" set forth in section 7.7 of the System Restructuring and Support Agreement and attached hereto as Exhibit 2, making changes to the charity care and collection policies, and making changes to charity care services provided at Saint Louise Regional Hospital. The members of the Local Governing Board shall include physicians from Saint Louise Regional Hospital's medical staff, Saint Louise Regional Hospital's Chief of Staff, one member designated by the Santa Clara County Board of Supervisors, and community representatives from Saint Louise Regional Hospital's primary service area (7 ZIP codes), as defined on page 60 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Local Governing Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

## **XIII.**

Verity Health System of California, Inc. shall reserve or expend the \$180 million capital commitment set forth in section 7.7 of the System Restructuring and Support Agreement and attached hereto as Exhibit 2.

## **XIV.**

Verity Health System of California, Inc. shall comply with the pension obligations set forth in section 7.3 of the System Restructuring and Support Agreement. Section 7.3 of the System Restructuring and Support Agreement should be amended to include the following language:

(f) Notwithstanding any limitations set forth in the documents governing the Defined Benefit Church Plan, the Defined Contribution Church Plans, and the Multiemployer Plans, the participants of these plans have the legal right to enforce compliance of Section 7.3 against Verity Health System of California, Inc.

## **XV.**

Saint Louise Regional Hospital shall maintain privileges for current medical staff who are in good standing as of the closing date of the System Restructuring and Support Agreement. Further, the closing of the System Restructuring and Support Agreement shall not change the medical staff officers, committee chairs, or independence of the Saint Louise Regional Hospital's medical staff, and such persons shall remain in good standing for the remainder of their tenure.



## XVI.

Verity Health System of California, Inc. shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Saint Louise Regional Hospital through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070).

## XVII.

Within sixty days of the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital's Board of Trustees shall replace Article of IV, Section 3, subsection (a) of its Amended and Restated Bylaws Template (attached hereto as Exhibit 3) with the following language:

(a) Number and Composition. The Board of Trustees shall generally consist of not less than five (5) nor more than seventeen (17) members, including:

i) no more than 50 percent shall be members who are in good standing on the Board of Directors of Verity Health System of California, Inc.;

ii) at least one-third shall be residents of Santa Clara County; and

iii) no members shall have either directly or indirectly, personally or through a family member have any financial relationship with BlueMountain Capital Management, LLC or any of its owned or managed affiliates or Integrity Healthcare, LLC, and may not serve as an officer, director, contractor or employee of BlueMountain Capital Management, LLC or any of its owned or managed affiliates, or Integrity Healthcare, LLC, any managed fund, or entity in which BlueMountain Capital Management, LLC has an equity stake or option to purchase, except for public companies wherein BlueMountain Capital Management, LLC has an interest of less than 10%.

Saint Louise Regional Hospital's Board of Trustees shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Bylaws Template as Exhibit 4) and Amended and Restated Bylaws within 90 days from the closing date of the System Restructuring and Support Agreement requiring these provisions and any further changes to these documents must be approved by the Attorney General.

Within sixty days of the closing date of the System Restructuring and Support Agreement, Verity Health System of California, Inc. shall adopt the same Conflict of Interest Policy currently used by Daughters of Charity Health System and its affiliates (attached hereto as Exhibit 5) except that all references to the "Corporation" in the Conflict of Interest Policy shall be amended to "Corporation or BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC" and a portion of its "Financial Interest" definition section on page 2 shall be amended to state as follows:

4. **Financial Interest:** A Director or Family member has, directly or indirectly, a current or potential

- Ownership or investment interest in; or
- Compensation arrangement with; or
- Other economic interest in any of the following:
  - i. The Corporation; or
  - ii. BlueMountain Capital Management, LLC and or any of its owned or managed affiliates and Integrity Healthcare, LLC; or
  - iii. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC has a transaction or arrangement; or
  - iv. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC is negotiating a transaction or arrangement; or
  - v. Any entity or individual that competes with the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC.

Verity Health System of California, Inc. Board of Trustees shall provide a copy of its Conflict of Interest Policy within 90 days from the closing date of the System Restructuring and Support Agreement requiring this amendment and any further changes to this document must be approved by the Attorney General.

Verity Health System of California, Inc. shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Articles Template as Exhibit 6) and the Amended and Restated Bylaws (as set forth in the attached hereto Amended and Restated Bylaws Template as Exhibit 7) within 90 days from the closing date of the System Restructuring and Support Agreement and any further changes to these documents must be approved by the Attorney General.

If either the Verity Health System of California, Inc.'s Board of Directors or Saint Louise Regional Hospital's Board of Trustees provides board compensation to its members other than reimbursement for travel to and from board/trustees' meetings, it is required to obtain an fair market valuation for payment of such compensation for similarly-situated board of directors/trustees in the United States every two years.

#### XVIII.

There shall be no restriction or limitation on providing or making reproductive health services, including such services prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops, available at Saint Louise Regional Hospital, its medical office buildings, or at any of its facilities. There

shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at Saint Louise Regional Hospital. Both of these must be explicitly set forth in Saint Louise Regional Hospital's written policies, adhered to, and strictly enforced.

#### **XIX.**

At least thirty days prior to the closing of the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, Saint Louise Regional Hospital Foundation shall provide to the Attorney General's Office an accounting of all charitable assets. Within 5 days of the Attorney General's approval, Saint Louise Regional Hospital Foundation shall transfer all charitable assets including, but not limited to, all temporary and permanently restricted funds to the California Community Foundation.

a) The funds from Saint Louise Regional Hospital Foundation, if not previously restricted to support a specific charitable organization, will be deposited into the California Community Foundation's Saint Louise Regional Hospital Fund, and used to support nonprofit tax-exempt charitable organizations, clinics and facilities in providing healthcare services to residents of Saint Louise Regional Hospital's service area (7 ZIP codes), as described on page 60 in the Healthcare Impact Report authored by Medical Development Specialists, LLC, dated October 2, 2015. (Exhibit 1.) The donated funds shall be maintained and used for the purposes specified herein for a period of at least five years.

b) If there are funds from Saint Louise Regional Hospital Foundation previously restricted to support a specific charitable organization, such funds shall be deposited into a fund or funds at California Community Foundation restricted to continuing support for such charitable organization or organizations. Such funds are protected against obsolescence. If the purposes of any restricted fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by California Community Foundation, California Community Foundation's Board of Directors shall have the ability to modify any restriction or condition on the use such fund.

#### **XX.**

For eleven fiscal years from the closing date of the System Restructuring and Support Agreement, Saint Louise Regional Hospital shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of Saint Louise Regional Hospital and the Chief Executive Officer at Saint Louise Regional Hospital shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the Saint Louise Regional Hospital's Board of Directors and the Local Governing Board.

## **XXI.**

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

## **XXII.**

Once the System Restructuring and Support Agreement is closed, all parties listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the agreements listed in Condition II are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

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

# **EXHIBIT 1**

## ANALYSIS OF THE HOSPITAL'S SERVICE AREA

### *Service Area Definition*

The Hospital's service area is comprised of seven ZIP Codes, from which approximately 91% of its discharges originated in 2014. Approximately 49% of the Hospital's discharges came from the top ZIP Code, located in Gilroy. In 2014, the Hospital's market share in the service area was approximately 19%.

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: 2014						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
95020	Gilroy	1,373	49.0%	49.0%	4,521	30.4%
95037	Morgan Hill	645	23.0%	72.1%	3,344	19.3%
95023	Hollister	261	9.3%	81.4%	4,048	6.4%
95046	San Martin	136	4.9%	86.3%	526	25.9%
95021	Gilroy	67	2.4%	88.6%	184	36.4%
95045	San Juan Bautista	40	1.4%	90.1%	323	12.4%
95038	Morgan Hill	21	0.8%	90.8%	107	19.6%
95024	Hollister	9	0.3%	91.1%	186	4.8%
<b>Subtotal</b>		<b>2,552</b>	<b>91.1%</b>	<b>91.1%</b>	<b>13,239</b>	<b>19.3%</b>
Other ZIPs		248	8.9%	100%		
<b>Total</b>		<b>2,800</b>	<b>100.0%</b>			

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

## **EXHIBIT 2**

No such patient shall be turned away because of age, race, religion, gender, sexual orientation, payment source or inability to pay.

(c) For a period of not less than five (5) years following the Effective Time, Integrity acknowledges that DCHS will maintain the existing chapels at the Hospitals to be used for the celebration of Catholic mass and other religious services, and provide an appropriately staffed and funded pastoral care service at the Hospitals.

7.7 Capital Commitment. After the Closing, DCHS shall reserve or expend the following amounts for capital expenditures in each of the successive five (5) years immediately following the Closing Date: \$40,000,000.00 in each of the first three (3) years immediately following the Closing Date, and \$30,000,000.00 in each of years 4 and 5 immediately following the Closing Date. Notwithstanding the preceding sentence, in the event that within the first five years post-Closing, one or more of the Hospitals is sold or otherwise disassociated from DCHS, any remaining annual Capital Commitments of the remaining DCHS thereafter as set forth above, shall be reduced pro-rata based on the net revenue for such sold or disassociated Hospital(s) as included in the most recently completed audited income statement.

7.8 Intellectual Property.

(a) Except as permitted under Section 6.13 of this Agreement, Integrity hereby covenants and agrees not to use the Hospital Trademarks in any manner or in any medium or form that includes or incorporates any Retained Marks (including, without limitation, the DCHS Names). Integrity further hereby covenants and agrees that all marketing and advertising using the Hospital Trademarks after the Effective Time will be in a form that integrates the use of the name "Integrity Health System, Inc." or similar branding in connection with the use of such Hospital Trademarks in such marketing or advertising materials.

(b) Except as permitted under Section 6.13, Integrity covenants not to use the Retained Marks or any marks or domain names that are confusingly similar to the Retained Marks, or any other Retained IP, in any manner and in any medium.

(c) Except as permitted under Section 6.13, Integrity shall, as of the Effective Time, (i) discontinue the use of all corporate and trade names, letterhead and business cards that contain any Retained Marks (including, without limitation, the DCHS Names), (ii) use commercially reasonable efforts to file appropriate name change amendments with the California Secretary of State, (iii) use commercially reasonable efforts to promptly replace or modify all exterior and interior fixtures that contain or comprise building signs to remove completely any Retained Marks (including, without limitation, the DCHS Names), and (iv) shall not subsequently change such names to (or otherwise use or employ) any names which contain any Retained Marks (including, without limitation, the DCHS Names).

7.9 Actions Related to Legal Opinion from Bond Counsel. BlueMountain agrees to cooperate with and provide Orrick, Herrington & Sutcliffe LLP ("*Orrick*") with all requested documentation in order to complete the opinion described in Section 8.9, including a 501(c)(3) opinion from a firm acceptable to Orrick, and BlueMountain shall obtain any valuations



## **EXHIBIT 3**

***TEMPLATE FOR DIRECT HOSPITAL OR MEDICAL CENTER SUBSIDIARIES OF  
VERITY HEALTH SYSTEM, INC.***

**AMENDED AND RESTATED  
BYLAWS OF  
[NAME]  
[HOSPITAL][MEDICAL CENTER]**

Adopted \_\_\_\_\_, 2015

Table Of Contents

	Page(s)
ARTICLE I NAME.....	1
ARTICLE II DEFINITIONS .....	1
ARTICLE III PURPOSES.....	2
ARTICLE IV OFFICES AND SEAL.....	2
ARTICLE V CORPORATE MEMBERSHIP .....	2
ARTICLE VI BOARD OF DIRECTORS .....	4
ARTICLE VII MEETINGS OF THE BOARD OF DIRECTORS.....	7
ARTICLE VIII CORPORATE OFFICERS .....	9
ARTICLE IX COMMITTEES .....	10
ARTICLE X MEDICAL STAFF.....	12
ARTICLE XI GENERAL PROVISIONS .....	18
ARTICLE XII INDEMNIFICATION AND INSURANCE.....	19
ARTICLE XIII MAINTAINING A UNIFIED HEALTH SYSTEM.....	20
ARTICLE XIV GENDER AND NUMBER.....	21
ARTICLE XV AMENDMENTS.....	18

AMENDED AND RESTATED  
BYLAWS OF  
[NAME]  
[HOSPITAL][MEDICAL CENTER]

ARTICLE I

NAME

The name of this Corporation shall be as set forth in its Articles of Incorporation.

ARTICLE II

DEFINITIONS

Section 1. Definitions. These Bylaws contain the terms “Affiliate” and “Health System.” These terms are also used in the bylaws of other entities comprising the Health System. For purposes of continuity, when used in these Bylaws, such terms shall be interpreted to give full effect to the intent of Article XIII of these Bylaws.

(a) Affiliate. The term “Affiliate” shall mean, individually, each organization that is controlled, directly or indirectly, by Verity Health System of California, Inc., a California nonprofit public benefit corporation (“Verity”), or by another organization controlled by Verity. As used in this definition, “control” shall mean (a) the status of sole corporate member of an organization; or (b) the authority to appoint, elect or approve at least a majority of the governing body of an organization.

(b) Corporate Member. The term “Corporate Member” shall mean Verity.

(c) Corporation. The term “Corporation” shall mean [NAME] Medical Center.

(d) Health System. The term “Health System” shall mean, collectively, Verity, this Corporation and the Affiliates of Verity and the Corporation.

(e) Subsidiary. “Subsidiary” shall mean an Affiliate that is under the direct control of another Affiliate.

(f) System Authority Matrix. The term “System Authority Matrix” shall mean the document as in effect from time to time which sets forth the respective responsibilities and authorities for Health System operations and decision making.

Section 2. Other Capitalized Terms. Capitalized terms used in these Bylaws and not otherwise defined herein are used herein with the meanings given them in the California Nonprofit Corporation Law.

### ARTICLE III

#### PURPOSES

Section 1. Purposes. The purposes of this Corporation are set out in its Articles of Incorporation as in effect from time to time.

### ARTICLE IV

#### OFFICES AND SEAL

Section 1. Principal Office. The principal office of this Corporation shall be in the County of [County], State of California.

Section 2. Seal. This Corporation may have a common seal inscribed with the name of this Corporation.

### ARTICLE V

#### CORPORATE MEMBERSHIP

Section 1. Corporate Membership. The sole member of this Corporation is Verity, acting through its Board of Directors or otherwise as provided in Article XIII, Section 2 of these Bylaws or the California Nonprofit Corporation Law.

Section 2. Rights and Powers of the Corporate Member. As the sole member of this Corporation under the California Nonprofit Corporation Law, the Corporate Member has all corresponding statutory rights and powers of membership. In addition, the Corporate Member has the power (which are termed the "Reserved Powers" of the Corporate Member) to take or approve the following actions:

- (a) Approve or change the mission, role and purpose of this Corporation;
- (b) Amend the Bylaws and Articles of Incorporation of this Corporation;
- (c) Authorize the Board of Directors to amend the bylaws, articles of incorporation or other organizational documents of any Affiliate;
- (d) Approve the formation, merger, dissolution, consolidation, divestiture, closure, change in corporate membership or control and reorganization of each direct Affiliate of this Corporation;
- (e) Fix the number and appoint and remove the Directors of this Corporation;

(f) Appoint and remove the Chairperson of the Board and the President and Chief Executive Officer of this Corporation and of each direct Affiliate or Subsidiary of this Corporation;

(g) Approve the merger, consolidation, reorganization or dissolution of this Corporation and the disposition of the assets of this Corporation upon dissolution;

(h) Approve the acquisition, sale, lease, mortgage, transfer or other alienation of real or personal property of this Corporation other than in accordance with the System Authority Matrix;

(i) Approve the capital and operating budgets of this Corporation or of any Affiliate controlled by this Corporation;

(j) Approve the incurrence of debt or guaranties of this Corporation other than in accordance with the System Authority Matrix;

(k) Establish policy concerning quality of care and services for the Corporation and to approve any such policies of this Corporation that are inconsistent with the System Authority Matrix;

(l) Establish policy and procedures concerning finance and resources for the Corporation and to approve any such policies or procedures that are inconsistent with such policies or procedures;

(m) Establish criteria for the long-range financial and strategic plans of the Corporation and to approve any such plans;

(n) Establish an internal auditing program and approve any material element of the internal auditing program for this Corporation that is inconsistent with the internal auditing program established by the Corporate Member;

(o) Approve capital expenditures by this Corporation or for any Affiliate controlled by this Corporation other than in accordance with the System Authority Matrix;

(p) Approve the transfer of funds, by gift or loan, between this Corporation and one or more other Affiliates of Verity and this Corporation or to any other person or entity other than in accordance with System Authority Matrix; and

(q) Approve any other action by this Corporation or for any Affiliate controlled by this Corporation that has been established by resolution of the Corporate Member as requiring its approval, including, but not limited to, any approvals of authority necessary to ensure compliance with any credit agreement, master indenture or loan agreement to which this Corporation or any Affiliate controlled by this Corporation is a party.

Section 3. Voting By Proxy. The Corporate Member may not vote by proxy.

Section 4. Appointment of Officer or Director or Others to Act on Behalf of Corporate Member. Subject to applicable law and the articles of incorporation and bylaws of the Corporate Member, the Corporate Member's board of directors may, by resolution, appoint one or more officers or directors of the Corporate Member or one or more other persons to act on its behalf. in its capacity as Corporate Member of this Corporation.

Section 5. Annual Meeting. A meeting of the Corporate Member shall be held annually for the purpose of appointing directors and to transact such other business as may be brought before such meeting. The annual meeting of the Corporate Member shall be held at such time and place as the board of directors of the Corporate Member determine from time to time.

Section 6. Action by Written Consent. Any action required or permitted to be taken at a meeting (whether annual, regular or special) by the Corporate Member under any provision of law, the Articles of Incorporation or these Bylaws may be taken without a meeting if the Corporate Member consents to such action in writing. Each such written consent shall be filed with the minutes of the proceedings of the Corporation. Such action by written consent shall have the same force and effect as a vote of the Corporate Member. Any certificate or other document filed on behalf of this Corporation relating to an action taken by the Corporate Member without a meeting shall state that the action was taken by written consent of the Corporate Member without a meeting and that the Bylaws of the Corporation authorize the Corporate Member to so act.

## ARTICLE VI

### BOARD OF DIRECTORS

Section 1. Powers. Subject to the provisions of this Corporation's Articles of Incorporation, these Bylaws, the Reserved Powers of the Corporate Member, the System Authority Matrix and the laws of the State of California, the activities and affairs of this Corporation shall be managed and conducted and all corporate powers shall be exercised by or under the direction of this Corporation's Board of Directors. To facilitate the management and conduct of this Corporation's activities and affairs, the Board of Directors shall establish corporate policies for, and formulate the basic rules and regulations governing the operation and management of, this Corporation and generally oversee and be responsible for the quality of care and the planning of services rendered by this Corporation. The Board of Directors may delegate the management and conduct of this Corporation's activities and affairs to any person or persons, management company, or committee however composed, provided that no delegation of authority by the Board of Directors to the Chief Executive Officer (as defined in Article VIII, Section 4 below), or anyone else, shall preclude the Board of Directors from exercising the authority required to meet its governance responsibility for the management and conduct of this Corporation's activities and affairs; and provided, further, that any delegation of powers of the Board may be made only to a committee of the Board consisting only of directors and shall be subject to the further limitations on Board committees set forth in Article IX, Section 1 of these Bylaws. The Board of Directors shall retain the right to rescind any such delegation.

Section 2. Reserved Powers of Verity as the Corporate Member: Final Action. Certain actions of the Board of Directors are subject to the Reserved Powers of Verity, acting in

its capacity as the Corporate Member of this Corporation, as set forth above in Article V of these Bylaws. Action by the Board of Directors of this Corporation that is subject to the approval of the Corporate Member pursuant to the Reserved Powers of the Corporate Member shall become final, binding action of the Corporation when such action has been approved or ratified by final action of the Corporate Member acting in accordance with these Bylaws and the bylaws of the Corporate Member.

Section 3. Number and Qualification.

(a) The Board of Directors shall consist of not less than three (3) nor more than seventeen (17) members, including at least one (1) person who is a member in good standing of the Board of Directors of Verity.

(b) The President and Chief Executive Officer of the Corporate Member shall serve as a member of the Board, *ex officio*.

(c) Restriction on Interested Directors. Not more than forty-nine percent (49%) of the persons serving on the Board of Directors at any time may be interested persons within the meaning of Section 5227 of the California Nonprofit Public Benefit Corporation Law. An interested person is (i) any person currently being compensated by this Corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor or otherwise, but excluding any reasonable compensation paid to a Director as Director; or (ii) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of any such person. However, any violation of the provision of this Section shall not affect the validity or enforceability of any transaction entered into by this Corporation.

Section 4. Appointment by Corporate Member. The Directors shall be appointed by Verity at each annual meeting of the Corporate Member.

Section 5. Term. Each Director (other than the President and Chief Executive Officer of the Corporate Member) shall hold office for a term of one (1) year or such other period set by the Corporate Member or until a successor is appointed and qualified or until such person sooner dies, resigns, is removed or becomes disqualified.

Section 6. Removal and Filling of Vacancies. The Board of Directors may declare vacant the office of a Director who has been declared of unsound mind by a final order of court or convicted of a felony or who has missed more than half of the meetings of the Board of Directors during any twelve-month period other than by reason of illness, or who has been found, by a final order or judgment of any court, to be in breach of any duty owed to the Corporation under Sections 5230-5239 of the California Nonprofit Public Benefit Corporation Law. In the event that such office is declared vacant, a new Director to fill the unexpired portion of the term of the Director whose office was declared vacant shall be appointed by the Corporate Member.

Section 7. Resignation. Any Director may resign at any time by delivering her or his resignation in writing to the Chairperson of the Board of Directors, the President or the Secretary or to the Board of Directors of the Corporation at its principal office; provided that, except upon



notice to the Attorney General, no director may resign if the Corporation would then be left without a duly elected Director or Directors in charge of its affairs. Such resignation shall be effective upon receipt unless specified to be effective at some other time.

Section 8. Fees and Compensation. Directors may receive such reasonable compensation (within the meaning of Internal Revenue Code Section 4958), if any, for serving as Director, and advances or reimbursement for reasonable expenses, as may be fixed or determined by the Corporate Member. Directors may receive compensation from the corporation for services rendered to it, subject to the restriction on interested Directors as set forth in Section 3(c) above of this Article VI.

Section 9. Self-Dealing Transactions. This Corporation shall not enter into self-dealing transactions. Except as provided in Section 9(a) of this Article VI, for the purpose of this Section, a self-dealing transaction means a transaction to which this corporation is a party and in which one or more of the members of its Board of Directors or officers has a material financial interest and which does not meet the requirements of Sections 9(b) or 9(c) of this Article VI. Such a member of the Board of Directors is an "interested director" for the purpose of this Section.

(a) Exceptions. The provisions of this section do not apply to any of the following:

(i) An action of the Board of Directors fixing the compensation of a member of the Board of Directors as an officer of this corporation.

(ii) A transaction which is part of a public or charitable program of this corporation if it (i) is approved or authorized by this corporation in good faith and without unjustified favoritism and (ii) results in a benefit to one or more members of the Board of Directors or their families because they are in the class of persons intended to be benefited by the public or charitable program.

(iii) A transaction, of which the interested director or directors have no actual knowledge, and which does not exceed the lesser of one percent of the gross receipts of this corporation for the preceding fiscal year or one hundred thousand dollars (\$100,000).

(b) Prior Board of Directors Approval. This Corporation may enter into a self-dealing transaction if all of the following facts are established:

(i) This Corporation entered into the transaction for its own benefit;

(ii) The transaction was fair and reasonable as to this Corporation at the time this Corporation entered into the transaction;

(iii) Prior to consummating the transaction or any part thereof the Board of Directors authorized or approved the transaction in good faith by a vote of a majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors, and with knowledge of the material facts concerning the transaction and the director's interest in the transaction. Interested directors may be counted in determining the

presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction. Except as provided in Section 9(c)(i) of this Article VI, action by a committee of the Board of Directors shall not satisfy this paragraph; and

(iv) Prior to authorizing or approving the transaction the Board of Directors considered and in good faith determined after reasonable investigation under the circumstances that this corporation could not have obtained a more advantageous arrangement with reasonable effort under the circumstances or (ii) this corporation in fact could not have obtained a more advantageous arrangement with reasonable effort under the circumstances.

(c) Subsequent Board of Directors Approval. This Corporation may enter into a self-dealing transaction if all of the following facts are established:

(i) A committee or person authorized by the Board of Directors approved the transaction in a manner consistent with the standards set forth in Section 9(b) of this Article VI;

(ii) It was not reasonably practicable to obtain approval of the Board of Directors prior to entering into the transaction; and

(iii) The Board of Directors, after determining in good faith that the conditions of subparagraphs (i) and (ii) of this subsection (c) were satisfied, ratified the transaction at its next meeting by a vote of the majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction.

## ARTICLE VII

### MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Place of Meeting. All meetings of the Board of Directors shall be held at the principal office of this Corporation or at such other place as may be designated for that purpose in the notice of the meeting or, if not stated in the notice or there is no notice, at such place as may be set by resolution of the Board.

Section 2. Annual Meeting. As soon as reasonably practicable, but no later than sixty (60) days after the annual meeting of the Corporate Member, the Board of Directors shall hold an annual meeting for the purpose of organizing the Board, electing the officers and the transaction of such other business as may come before the meeting. The date of the annual meeting shall be fixed by resolution. No notice of the annual meeting of the Board of Directors need be given.

Section 3. Regular Meetings. Regular meetings of the Board of Directors shall be held at such time as the Corporate Member may fix by resolution from time to time. No notice of regular meetings of the Board of Directors need be given.

Section 4. Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairperson of the Board or by two (2) or more Directors of this Corporation, or by the Corporate Member.

Section 5. Notice of Special Meetings. Notice of the time and place of special meetings shall be communicated personally or by telephone to each Director or sent to each Director by mail or other form of written communication (including e-mail), addressed to such Director at her or his address as it is shown on the records of this Corporation. Such notice, if mailed, shall be mailed at least seventy-two (72) hours prior to the time of the meeting, or if delivered personally, telephonically or telegraphically or by e-mail, shall be received at least forty-eight (48) hours prior to the time of the meeting.

Section 6. Waiver of Notice. Notice of a meeting need not be given to any Director who signs a waiver of notice or a written consent to hold the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 7. Quorum. At all meetings of the Board of Directors, a majority of the then serving Directors, but not less than two (2), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of the Directors present, whether or not a quorum, may adjourn any Directors meeting to another time and place. The act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, unless a greater number is required by law. Notwithstanding the previous provisions of this Section, the Directors present at a meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, so long as any action taken is approved by at least a majority of the required quorum for such meeting.

Section 8. Action Without Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all of the Directors individually or collectively shall consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as the unanimous vote of such Directors. Any certificate or other document filed on behalf of this Corporation relating to an action taken by the Board without a meeting shall state that the action was taken by written consent of the Board of Directors without a meeting and that the Bylaws of the Corporation authorize its Directors to so act.

Section 9. Telephonic Meeting. Directors may participate in a meeting of the Board through the use of conference telephone or similar communication equipment, as long as all Directors participating in such meeting can hear one another. Participation in this manner shall constitute presence in person at such meeting.

Section 10. Prohibition Against Voting by Proxy. Directors may not vote by proxy.

## ARTICLE VIII

### CORPORATE OFFICERS

#### Section 1. Officers.

(a) The officers of this Corporation shall include a Chairperson of the Board, a Vice Chairperson of the Board, a President and Chief Executive Officer ("CEO"), a Chief Financial Officer ("CFO"), a Secretary and a Chief Medical Officer ("CMO"), all of whom shall be selected in accordance with the provisions of this Article VIII. Neither the Chairperson of the Board nor the President/CEO may serve concurrently as the Secretary or CFO of this Corporation.

(b) The officers of this Corporation shall be appointed by the Corporate Member. Each shall hold office until her or his resignation or removal, other disqualification to serve or until her or his successor shall be elected and qualified.

(c) The Board of Directors may appoint such additional officers from among the members of the Board of Directors (including, for example, one (1) or more assistant Secretaries), as the business of this Corporation may require, each of whom shall serve for such period, have such authority and perform such duties as the Board of Directors from time to time may authorize.

Section 2. Removal of Officers. Any officer, other than the Chairperson of the Board, the President and CEO, the CFO and the CMO, may be removed, with or without cause, by a majority of Directors then in office, at any regular or special meeting of the Board. The Chairperson of the Board may be removed, with or without cause, only by the Corporate Member, and the President/CEO may be removed, with or without cause, only by the Corporate Member after consultation with the Board of Directors of this Corporation and the President/CEO of the Corporate Member. The CMO may be removed, with or without cause, only by the President/CEO of this Corporation with the concurrence of the President/CEO of the Corporate Member after consultation with the Board of Directors of this Corporation. The CFO may be removed, with or without cause, only by the President/CEO of this Corporation with the concurrence of the Chief Financial Officer of the Corporate Member after consultation with the Board of Directors of this Corporation. If a vacancy occurs in any office as a result of death, resignation, removal, disqualification or any other cause, the Board of Directors may delegate the powers and duties of such, office, except as otherwise provided in these Bylaws, to any officer or to any Director until such time as a successor for such office has been appointed. Any officer who is also a Director shall be automatically removed as such an officer upon her or his removal as a Director in accordance with the provisions of Article VI, Section 6 of these Bylaws.

Section 3. Chairperson of the Board. The Chairperson of the Board shall be appointed by the Corporate Member in connection with the appointment of the Directors. The Chairperson of the Board shall have the powers and duties usually associated with such office. The Chairperson of the Board shall preside over meetings of the Board of Directors, supervise activities of the Board, and serve as an ex officio voting member of all Board committees.

Section 4. President and Chief Executive Officer. The President/CEO shall be the chief executive officer of this Corporation, shall be an employee of Verity, and shall serve as a member of the Verity executive team. The President/CEO shall be appointed by the Corporate Member after consultation with this Corporation's Board of Directors and the President/CEO of the Corporate Member. He or she shall serve such term as may be determined by the Board of Directors. He or she shall report to and be accountable to this Corporation's Board of Directors and to the President/CEO of the Corporate Member and shall have general supervision, direction and control of the business, employees and independent contractors of this Corporation and shall be held responsible for the proper functioning and management of this Corporation. The President/CEO shall possess the degree of education and experience appropriate to the proper discharge of these responsibilities and, if a management or employment agreement may be in effect, meet all of the requirements set forth in the management or employment agreement. The President/CEO may sign, with the Secretary or any other officer of this Corporation as authorized by this Corporation's Board of Directors, any instrument which this Corporation's Board of Directors has authorized to be executed. The Chairperson of the Board of this Corporation and the President/CEO of the Corporate Member shall initiate and conduct periodic performance reviews of the President/CEO of this Corporation, taking into account the advice and comments of this Corporation's Board of Directors. Subject to the control of this Corporation's Board of Directors and the direction of the Corporate Member, the President/CEO shall organize the administrative functions of this Corporation, delegate duties and establish formal means of accountability on the part of her or his subordinate officers. The President/CEO shall have the general powers and duties of management usually vested in the chief executive officer under the California Nonprofit Public Benefit Corporation Law and shall have other powers and duties as may be prescribed by this Corporation's Board of Directors, these Bylaws, and the policies of the Corporate Member.

Section 5. Vice Chairperson of the Board. The Vice Chairperson of the Board shall be elected from among the Directors and, in the absence or disability of the Chairperson of the Board, shall perform all duties of the Chairperson of the Board and, when so acting, shall have all powers of and be subject to all restrictions upon the Chairperson of the Board. In the absence of both the Chairperson of the Board and the Vice Chairperson of the Board, the Board shall select one of its members, other than the Secretary or CFO, to act as Chairperson of the Board.

Section 6. Secretary. The Secretary shall be appointed initially by the Corporate Member and thereafter shall be elected from among the Directors and shall keep or cause to be kept at the principal office or at such other place as the Board of Directors may determine, a book of minutes of all meetings of the Directors, whether annual, regular or special, with the time and place of the meeting, the notice given, the names of those present at the meeting, the proceedings thereat and, if a special meeting, how it was authorized. The Secretary shall give or cause to be given notice of all meetings of the Board of Directors required by these Bylaws or by law. The Secretary shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

Section 7. Chief Financial Officer. The CFO shall and according to the direction of the Board of Directors and the President/CEO, keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of this Corporation, including accounts of its assets, liabilities, receipts,

disbursements, gains, losses and capital. The CFO shall deposit all monies and other valuables in the name and to the credit of this Corporation with such depositaries as may be designated by the Board of Directors. The CFO shall disburse the funds of this Corporation as may be ordered by the Board of Directors, shall render to the President/CEO, the Directors or the Chief Financial Officer of the Corporate Member, whenever they request it, an account of all transactions and of the financial condition of this Corporation, and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws. The CFO shall be appointed by and subject to removal by the President/CEO of this Corporation as a corporate employee with the concurrence of the Chief Financial Officer of the Corporate Member after consultation with the Board of Directors of this Corporation. He or she shall serve such term as may be determined by the Board of Directors. He or she shall report to and be accountable to the President/CEO of this Corporation and the Chief Financial Officer of the Corporate Member.

Section 8. Chief Medical Officer. The CMO shall have administrative oversight over the clinical programs and related activities of each chapter of this Corporation. The CMO shall manage physician relationships and clinical provider staff, including the provision of physician support services, the conduct of physician outreach activities and this Corporation's participation in education and research activities. In addition, the CMO shall coordinate clinical quality standards. The CMO shall be appointed by and shall be subject to removal by the President/CEO of this Corporation with the concurrence of the President/CEO of the Corporate Member after consultation with the Board of Directors of this Corporation, and shall report to and be accountable to the Board of Directors of this Corporation and to the President/CEO of this Corporation and the President/CEO of the Corporate Member.

Section 9. Reporting Relationship of Certain Corporate Officers to the Board of Directors. Persons serving from time to time in the positions of Corporate Responsibility Officer and Vice President and General Counsel shall report to and be accountable to the Board of Directors and the President/CEO and each of them shall be entitled to confidential access to the Chairperson and other members of the Board of Directors as necessary or advisable to carry out such person's duties in such position.

Section 10. Resignation. Any officer may resign at any time by giving written notice to this Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation is without prejudice to the rights, if any, of this Corporation under any contract to which the officer is a party.

Section 11. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

## ARTICLE IX

### COMMITTEES

#### Section 1. Generally.

(a) The Board of Directors may by resolution establish (1) Committees of the Board which shall have legal authority to act for this Corporation, subject to the authority of any Health System-wide committees appointed by Verity, and (2) Advisory Committees. Committees may be either standing or special. Members of all committees shall serve at the pleasure of the Board. Any Committee of the Board which shall have legal authority to act for this Corporation, to the extent provided in a resolution of the Board adopted by a majority of the Directors then in office, shall have all authority of the Board, except with respect to:

- (i) The approval of any action for which the California Nonprofit Public Benefit Corporation Law or these Bylaws also require approval of the Corporate Member, or a majority of this Corporation's Board of Directors;
- (ii) The filling of vacancies on the Board of Directors or on any committee that has the authority of the Board;
- (iii) The amendment or repeal of any resolution of the Board of Directors that by its express terms is not so amendable or repealable;
- (iv) The appointment of other Committees of the Board or members thereof; or
- (v) The approval of any self-dealing transaction, except as provided in Section 5233(d)(3) of the California Nonprofit Public Benefit Corporation Law.

(b) The Board of Directors shall have the power to prescribe the manner in which proceedings of any committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless these Bylaws, the Board or such committee shall otherwise provide, the regular and special meetings and other actions of any committee shall be governed by the provisions of Article VII of these Bylaws. Each committee shall keep minutes of its proceedings and shall report the same to the Board from time to time, as the Board of Directors may require. The Board of Directors shall review the charter of each committee governed by a charter at least once every two years.

Section 2. Committees of the Board. Only Directors may be appointed as members of Committees of the Board. Each Committee of the Board shall consist of two or more Directors. The Chairperson and members of Committees of the Board shall be appointed by the Board of Directors by resolution adopted by a majority of the Directors then in office. The Board may

designate one or more Directors as alternate members of any such committee, who may replace any absent member at any meeting of the committee.

Section 3. Advisory Committees. Advisory Committees may consist of two or more persons and may consist of Directors only, Directors and non-Directors, or non-Directors only, and may include non-voting members and alternate members. The Chairperson and members of Advisory Committees shall be appointed by the Chairperson of the Board or the Board of Directors. Advisory Committees shall have no legal authority to act for this Corporation.

Section 4. Executive Committee.

(a) There may be an Executive Committee which, if established, shall consist of some such members of the Board of Directors as the Board may designate. The Chairperson of the Executive Committee shall be the person then serving as Chairperson of the Board. The Executive Committee shall have authority to act for this Corporation, subject to the provisions of Section 1 of this Article.

(b) The establishment of an Executive Committee and the delegation of authority to it shall not operate to relieve the Board of Directors or any individual Director of any responsibility imposed on it or him or her by law, by the Articles of Incorporation of this Corporation or these Bylaws.

(c) The Executive Committee shall meet at such times as it deems necessary, provided that reasonable notice of all meetings of the Executive Committee shall be given to its members and no act of the Executive Committee shall be valid unless approved by the vote of a majority, or by the unanimous written consent, of its members.

Section 5. Finance Committee. The Finance Committee shall be an Advisory Committee and shall operate in accordance with a charter adopted by the Board of Directors as in effect from time to time. It shall consist of not fewer than four members, all of whom shall be or shall be capable of becoming familiar with basic financial statements and accounting principles, and all of whom shall be deemed by the Board of Directors to be free of any relationship that would interfere with independent judgment. The members of the Committee shall include the President and Chief Executive Officer of the Corporation, the Treasurer of the Corporation, the Chief Financial Officer of the Corporate Member, and at least one other person who is not an officer of the Corporation. The Committee shall have general surveillance over the finances of the Corporation, shall approve the annual budget of and any financial statements prepared by the Corporation, and shall make regular reports and recommendations to the Board of Directors. If there is no separate Audit Committee, the Finance Committee shall be responsible for performing the functions of the Audit Committee as set forth in these Bylaws.

Section 6. Audit Committee. The Audit Committee shall be an Advisory Committee and shall operate in accordance with a charter adopted by the Board of Directors as in effect from time to time. It shall consist of not fewer than three members, all of whom shall be or shall be capable of becoming familiar with basic financial statements and accounting principles, and all of whom shall be deemed by the Board of Directors to be free of any relationship that would



interfere with independent judgment. The Committee shall meet quarterly, and shall meet at least annually with the outside auditor or auditors of the Corporation in the absence of all members who are employees of the Corporation or any Affiliate controlled by the Corporation. The Committee shall have general surveillance over the auditing of the financial records of the Corporation, shall approve the financial statements prepared by the Corporation, and shall make regular reports and recommendations to the Board of Directors, all subject to the authority of the audit committee of Verity or any Health System-wide audit committee that may be established by Verity from time-to-time.

Section 7. Quality and Patient Safety Committee. The Quality and Patient Safety Committee shall be an Advisory Committee and shall operate in accordance with a charter adopted by the Board of Directors as in effect from time to time. The Quality and Patient Safety Committee shall consist of not fewer than three members, all of whom shall be or shall be capable of becoming familiar with basic issues and requirements affecting the quality performance of acute-care hospitals. At least one member of the Committee shall be a Director, and at least one shall be the Chief Medical Officer of the Corporation or, if none exists, the Chief of Staff or other senior physician practicing in a facility affiliated with the Corporation, appointed by the Board of Directors, and the President and Chief Executive Officer of the Corporation and the Vice President of Quality of the Corporate Member shall be each a member ex officio with vote. The Quality and Patient Safety Committee shall meet a minimum of six times a year, shall present regular reports to the Board of Directors and shall oversee the establishment and implementation of an ongoing quality assurance program in accordance with its charter, including, for example and without limitation: review of reports from the administration and the medical staff of the Corporation addressing quality performance, assessment of the impact of the Committee's oversight on quality performance, review of information regarding patient experience; evaluation of the adequacy of resources allocated to quality improvement, and monitoring of participation in national quality improvement efforts.

Section 8. Term of Office. The Chairperson and each member of a standing committee shall serve until the next election of Directors and until his or her successor is appointed or until such committee is sooner terminated or until he or she is removed, resigns or otherwise ceases to qualify as a member of the committee. The Chairperson and each member of a special committee shall serve for the life of the committee unless they are sooner removed, resign or cease to qualify as members of such committee.

Section 9. Vacancies. Vacancies on any committee may be filled for the unexpired portion of the term in the same manner as provided in the case of original appointments.

Section 10. Quorum. At all committee meetings, a majority of committee members then serving, but not less than two (2), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of committee members present, whether or not a quorum, may adjourn any committee meeting to another time and place. The act of a majority of the committee members present at a meeting at which there is a quorum shall be the act of the committee. Notwithstanding previous provisions of this Section, the committee members present at a meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of committee members, so long as any action taken is approved by at least a majority of the required quorum for such meeting.

## ARTICLE X

### MEDICAL STAFF

#### Section 1. Organization, Appointments and Hearings.

(a) The Corporation shall maintain an organized medical staff that is accountable to the Board of Directors. The Board of Directors shall have the ultimate authority and responsibility for the oversight and delivery of health care rendered by all licensed independent practitioners and other practitioners granted practice privileges at health facilities licensed in the name of this Corporation. The Board of Directors shall organize the physicians, dentists, podiatrists and such other categories as may be permitted by law and granted practice privileges at health facilities licensed in the name of this Corporation into one or more staffs ("Medical Staff") under Medical Staff bylaws approved by the Board of Directors. The Board of Directors shall also make provision for credentialing and privileging through the medical staff process of such categories of licensed independent practitioners and other practitioners as the Board of Directors may authorize under Medical Staff bylaws approved by the Board of Directors) the "Allied Health Professional Staff"). The Board of Directors shall consider recommendations of the Medical Staff and appoint to the Medical Staff and the Allied Health Professional Staff such practitioners as meet the qualifications for membership and privileges set forth in the Medical Staff bylaws. Only members of the Medical Staff may admit patients. Each member of the Medical Staff and the Allied Health Professional Staff shall have appropriate authority and responsibility for the care of her or his patients, subject to the limits of her or his licensure and privileges, as delineated by the Board of Directors, and subject to such limits as are contained in these Bylaws and in the Bylaws, Rules and Regulations of the Medical Staff.

(b) All applications for appointment to the Medical Staff and the Allied Health Professional Staff shall be in writing and addressed to the Medical Staff secretary. They shall contain full information concerning the applicant's education, licensure, practice, previous hospital experience and any history with regard to licensure and hospital privileges.

(c) All appointments to the Medical Staff and the Allied Health Professional Staff shall be for a maximum period of two (2) years, renewable by the Board of Directors upon re-application. When an appointment is denied or not renewed, or when privileges have been or are proposed to be denied, reduced, suspended or terminated, the affected practitioner shall be afforded a fair hearing and review conducted in accordance with the hearing and appeal provisions of the Medical Staff bylaws.

(d) Liaison among the Board, Administration, the Medical Staff and the Allied Health Professional Staff shall be accomplished as determined by the Board of Directors from time to time.

#### Section 2. Medical Care and Evaluation.

(a) The Medical Staff shall be responsible to the Board of Directors for providing appropriate professional care to patients and for overseeing the quality of care, treatment and services delivered by the Medical Staff and the Allied Health Professional Staff.

evaluating the competency of practitioners, delineating the privileges of members of the Medical Staff and the Allied Health Professional Staff, and providing leadership in performance improvement activities of the Corporation.

(b) The Board of Directors, in the exercise of its responsibility to establish, maintain and support an ongoing performance improvement program, shall delegate to the Medical Staff initial authority for assuring appropriate professional care by members of the Medical Staff to patients. The Medical Staff shall discharge this responsibility through a continuing review, analysis, and appraisal of the quality of care provided by members of the Medical Staff and the Allied Health Professional Staff and an appropriate response to findings. Such performance improvement activities shall be regularly reported, together with their results and recommended responses, to the Board of Directors.

(c) The Medical Staff and the Allied Health Professional Staff shall maintain adequate and accurate medical records for all patients.

(d) The Medical Staff shall make recommendations to the Board of Directors concerning:

- (i) Appointments; re-appointments and alterations to Medical Staff and Allied Health Professional Staff status;
- (ii) Granting, revocation and alteration of privileges;
- (iii) Corrective and disciplinary actions;
- (iv) All matters relating to professional competency; and
- (v) Such specific matters as may be referred to it by the Board of Directors.

### Section 3. Medical Staff Bylaws.

(a) There shall be Bylaws, Rules and Regulations for the Medical Staff setting forth its organization and government. Proposed Medical Staff bylaws, rules and regulations shall be recommended and approved by the Medical Staff and shall become effective only upon their approval by the Board of Directors, which approval shall not be unreasonably withheld.

(b) The Medical Staff Bylaws shall include procedures for:

- (i) written, well-defined criteria for appointment, precluding the possibility of discrimination according to color, national origin, race, creed, sex or age;
- (ii) appointment, reappointment, delineation of privileges, curtailment and revocation of privileges;

- (iii) an appeals mechanism for review of decisions to deny, curtail or revoke privileges;
  - (iv) a performance improvement program by which patient care is regularly evaluated and verification of this evaluation and of responsive actions taken is provided to the Board of Directors;
  - (v) attestation by signature of each practitioner that he or she will abide by the Medical Staff Bylaws, Rules and Regulations and the policies of the Corporation and Health System;
  - (vi) communication between the Board of Directors and the Medical Staff through the Executive Committee of the Medical Staff;
  - (vii) requiring that only a licensed practitioner with clinical privileges shall be directly responsible for a patient's diagnosis and treatment within the area of such practitioner's privileges; each patient's general medical condition shall be the responsibility of a physician member of the Medical Staff; each patient admitted shall receive a baseline history and physical examination by a physician or other licensee who has the requisite privileges; a physician member of the Medical Staff shall be responsible for the care of any medical problems that may be present at the time of admission or that may arise during hospitalization;
  - (viii) the selection and appointment of officers of the Medical Staff and of Medical Staff department chairpersons, all of whom shall be subject to approval of the Board of Directors;
  - (ix) restricting membership in the Medical Staff to physicians, dentists, podiatrists and, when authorized, clinical psychologists, and membership in the Allied Health Professional Staff to licensed independent practitioners in categories approved for privileges who are competent in their respective fields, worthy in character and in professional ethics; and
  - (x) maintaining self-government by the Medical, Staff with respect to the professional work performed at the Corporation and periodic meetings of the Medical Staff to review and analyze clinical experience at regular intervals, with patient medical records as the basis for such review and analysis.
- (c) The Medical Staff Bylaws shall provide that:
- (i) there shall be no discrimination with respect to Medical Staff privileges or the provision of professional services against a licensed physician on the basis of whether that physician holds an M.D. or a D.O. degree; and

- (ii) whenever staffing requirements for a service mandate that the physician responsible for the service be certified or eligible for certification by an appropriate American Medical board, such position may be filled by an osteopathic physician who is certified or eligible for certification by the equivalent appropriate American osteopathic board.

Section 4. Medico-Administrative Personnel. Except as specified in written requirements for such positions, physicians and specified professional personnel engaged by this Corporation either full time or part time as employees or independent contractors in any medico-administrative positions, shall not be required to maintain membership on the Medical Staff Members of the Medical Staff in medico-administrative positions may be terminated from their contractual relationship with this Corporation according to corporate policy or according to the terms of their contracts.

## ARTICLE XI

### GENERAL PROVISIONS

Section 1. Voting Interests. Subject to the limitations of Article VI, Section 2 of these Bylaws (Reserved Powers of the Corporate Member), the Corporation may vote any and all shares or other voting securities held by it in any other corporation or other entity and may exercise any and all membership rights held by it in any other corporation. Such action shall be undertaken or evidenced on behalf of this Corporation by such officer, agent or proxy as the Board of Directors may appoint or, in the absence of any such appointment, by the Chairperson of the Board or by an officer who is also a Director and, in such case, such person may likewise appoint a proxy to vote such securities.

Section 2. Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to this Corporation and any and all securities owned or held by this Corporation requiring signature for transfer shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by the Board of Directors.

Section 3. Execution of Contracts. Except as otherwise provided in these Bylaws, and subject to the System Authority Matrix, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute any instrument in the name of and on behalf of this Corporation and such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind this Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 4. Inspection of Corporate Records. The accounting books and records of this Corporation, the minutes of proceedings of this Corporation's Board of Directors and Committees, and the minutes of proceedings of the Corporate Member acting in its capacity as member of this Corporation shall be open to inspection upon the written request by the Corporate Member or any Director at any reasonable time and for any purpose reasonably related to the

interests of the Corporate Member, or the Director, as applicable. Such inspection may be made in person or by an agent or attorney.

Section 5. Annual Report. The Board of Directors shall cause an annual report to be sent to each Director of this Corporation and to the Corporate Member, no later than one hundred twenty (120) days after the close of this Corporation's fiscal or calendar year. Such annual report shall be prepared in conformity with requirements of the California Nonprofit Corporation Law.

Section 6. Fiscal Year. The fiscal year of this Corporation shall begin on the first day of July each year and end on June 30th of the following year.

Section 7. Review of Bylaws. At least once every two (2) years, the Board of Directors shall review, or delegate to an appropriate committee the review of, these Bylaws and recommend revisions to the Corporate Member as necessary to assure their compliance with all relevant requirements for licensure and accreditation of the health care facilities of the Corporation by state agencies and The Joint Commission, respectively.

Section 8. Financial Statements Must Be Made Available. If the Corporation prepares an audited financial statement, such audited financial statement shall be made available for inspection by the California Attorney General and by all members of the public no later than nine months after the close of the relevant fiscal year in the same manner as the Corporation's Internal Revenue Service Form 990. Each annual financial statement shall be made available to the public for three years.

Section 9. Executive Compensation Review and Approval. The Board, or any authorized Committee of the Board, shall review and approve the compensation, including benefits, of the President and CEO and the CFO to ensure that each such officer's compensation is just and reasonable. Such review and approval shall occur when the officer is initially hired, whenever the officer's term of employment is renewed or extended, and when the officer's compensation is modified, unless such modification applies to substantially all employees.

## ARTICLE XII

### INDEMNIFICATION AND INSURANCE

Section 1. Indemnification. To the full extent permitted by law and in the manner provided by law, this Corporation may, and if the law requires it shall, indemnify against liability and hold harmless any person who was or is a party to or is threatened to be a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a Director, officer, employee or other agent of this Corporation when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or other agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise. The foregoing rights of indemnification shall not be deemed to be exclusive of any other rights to which such person may be entitled under applicable law, and shall continue as to a person who has ceased to be a Director, officer, employee, or other agent of this Corporation and shall inure to the benefit of

the estate, executors, administrators, heirs, legatees or devisees of any such person to the extent such action, suit or proceeding survives the death of such person.

Section 2. Payment of Expenses. This Corporation may pay expenses, including attorney's fees, incurred in defending any action, suit or proceeding referred to in this Article in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case and as permitted by law.

Section 3. Insurance. This Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or other agent of this Corporation when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or other agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise, against any claim or liability asserted against such person and incurred in any such capacity, or arising out of such person's status as such, whether or not this Corporation would be required or would have the power to indemnify such person against such liability under this Article or otherwise.

### ARTICLE XIII

#### MAINTAINING A UNIFIED HEALTH SYSTEM

Section 1. Generally. In order to ensure the relationships between organizations in the Health System that are necessary to maintain a unified system, this Corporation, in accordance with policies established by the Corporate Member, shall require that the governing document or documents of any entity of which this Corporation is the sole member or controlling organization contain the following:

(a) Provisions that reserve to this Corporation the powers over such entity as may be required by applicable Health System policies;

(b) Provisions that reserve to such entity powers over organizations it controls, as may be required by applicable Health System policies; and

(c) Provisions that require such entity to require that the governing document or documents of organizations it controls contain a provision that reserves to this Corporation, to the Corporate Member of this Corporation or to such entity, as the case may be, the powers set forth in these Bylaws, the governing document or documents of such entity or applicable Health System policies. The term "governing document or documents" is used in this Article as a generic term to describe the organizational documents by which an entity is legally formed in a particular state and includes, but is not limited to, articles of incorporation, bylaws, governing resolutions, articles of partnership, joint venture agreements, operating agreements and any other document that creates or governs the organization or entity.

Section 2. Exercise of Reserved Powers. All action by this Corporation as the sole member or controlling person of an Affiliate shall be taken by this Corporation's Board of Directors.

## ARTICLE XIV

### GENDER AND NUMBER

Words used herein regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

## ARTICLE XV

### AMENDMENTS

These Bylaws or any part thereof may be amended or repealed or new Bylaws may be adopted by the affirmative vote of the Corporate Member.



## **EXHIBIT 4**

Draft

FORM OF AMENDED AND RESTATED ARTICLES FOR DIRECT SUBSIDIARY  
HOSPITALS OF VERITY HEALTH SYSTEM OF CALIFORNIA, INC.

AMENDED AND RESTATED  
ARTICLES OF INCORPORATION

OF

[NAME]

The undersigned certify that:

1. 1. They are the President/CEO and the Secretary, respectively, of [NAME], a California nonprofit religious corporation (the "Corporation")
2. The Articles of Incorporation of this Corporation shall be amended and restated to read in full as set forth in Exhibit A attached hereto and incorporated herein by this reference.
3. The foregoing amendment and restatement of the Articles of Incorporation has been duly approved by the board of directors and the sole member of this Corporation.
4. This Corporation has one member.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: \_\_\_\_\_, 2015

\_\_\_\_\_  
President/CEO

\_\_\_\_\_  
Secretary

## Exhibit A

### AMENDED AND RESTATED ARTICLES OF INCORPORATION

#### ARTICLE I

The name of this Corporation is “[NAME]”

#### ARTICLE II

A. This Corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law of the State of California for public and charitable purposes. In furtherance of the foregoing, this Corporation may do all of the following: (1) establish, acquire, develop, operate, lease, manage, and maintain acute care hospitals and appurtenant facilities; (2) promote and carry on scientific research related to the delivery of health care services; (3) establish, manage, and maintain various types of health plans, utilizing health delivery systems designed and coordinated to maximize benefits to the communities served; (4) participate in any activity designed and carried on to promote the general health of the community; and (5) make donations, transfer assets, and provide other forms of aid and assistance to, for the benefit of, or in connection with Verity Health System of California, Inc., a California nonprofit public benefit corporation (“Verity”) or any of its affiliates. Notwithstanding the foregoing specific statement of purposes, the Corporation shall have and may exercise all of the power of a California nonprofit public benefit corporation, but only in furtherance of the above purposes.

B. In addition to the foregoing purposes, this Corporation is organized and operated primarily for charitable, scientific and educational purposes within the meaning of § 501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provision of any future United States Internal Revenue Law) (the “IRC”), and for scientific and charitable and educational purposes within the meaning of § 214(a)(15) of the California Revenue and Taxation Code (or the corresponding section of any future California revenue and tax law) (the “R&TC”). In furtherance of these purposes, this Corporation may:

- (1) Support and foster the corporate purposes of Verity, and aid, assist and confer benefits upon Verity and its affiliates.
- (2) Cooperate with health care institutions and membership institutions of Verity in their respective efforts to promote quality service at reasonable rates.
- (3) Promote cooperation and the exchange of knowledge and experience within the health system established and operated by Verity.

(4) Engage in any lawful activities within the purposes and powers for which a corporation may be organized under the California Nonprofit Public Benefit Corporation Law and as may be necessary or expedient for the administration of the affairs and attainment of the purposes of this Corporation.

(5) Otherwise operate for charitable, scientific and educational purposes within the meaning of § 501(c)(3) of the IRC and within the meaning of § 214(a)(6) of the R&TC, in the course of which operation:

- (a) No part of the net earnings of this Corporation shall inure to the benefit of, or be distributable to, any private shareholder or individual, except that this Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein.
- (b) No substantial part of the activities of this Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and this Corporation shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of any candidate for public office except as authorized under the IRC and R&TC.
- (c) Notwithstanding any other provisions of these Articles, this Corporation shall not carry on any other activities not permitted to be carried on by (i) a corporation exempt from federal income tax under § 501(a) of the IRC, or by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC, or ii) by a corporation exempt from taxation under § 214 of the R&TC.

### ARTICLE III

The name and address in the State of California of this Corporation's agent for service of process is:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### ARTICLE IV

The street and mailing address of this Corporation is [ADDRESS].

#### ARTICLE V

This Corporation shall have one member (the "Corporate Member"). The Corporate Member shall be Verity.

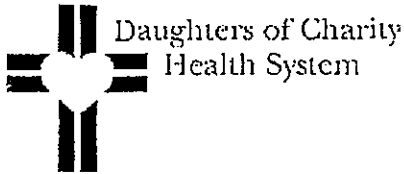
#### ARTICLE VI

The property and assets of this Corporation are irrevocably dedicated to charitable, educational and scientific purposes meeting the requirements of § 214 of the R&TC. Upon the winding up and dissolution of this Corporation, its assets remaining, after payment or adequate provision for payment of all debts and obligations of this Corporation, shall be distributed in accordance with a plan of liquidation approved by the Board of Directors to: (a) the Corporate Member, if it is organized and operated exclusively for public and charitable purposes and has established its tax exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or if for any reason it is unable to take such assets for such purpose; (b) such organization or organizations determined by the Board of Directors and organized and operated exclusively for charitable, educational or scientific purposes as shall at the time qualify as an exempt organization or organizations under § 501(c)(3) of the IRC and under § 214 of the R&TC. No assets shall be distributed to any organization if any part of the net earnings of such organization inures to the benefit of any private person or individual, or if a substantial part of the activities of such organization is the carrying on of propaganda or otherwise attempting to influence legislation, or if the organization participates in, or intervenes in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office, or if the organization carries on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under § 501(c)(3) of the IRC and meeting the requirements of § 214 of the R&TC or (ii) by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC.

#### ARTICLE VII

These Articles shall be amended only upon approval by this Corporation's Board of Directors and the Corporate Member.

## **EXHIBIT 5**



**DCHS POLICIES AND PROCEDURES**  
**SECTION 04: CORPORATE RESPONSIBILITY**

**POLICY/PROCEDURE #:** 04.01.01

**TITLE:** CONFLICT OF INTERESTS DISCLOSURES BY THE BOARD OF DIRECTORS AND BOARD COMMITTEES

**BOARD APPROVAL DATE:** May 23, 2008

**EFFECTIVE DATE:** May 23, 2008

**REVISION DATE:** December 2, 2011

A handwritten signature in black ink, appearing to read "Robert Issai", is written over a horizontal line.

Robert Issai, President /CEO

**Reference to Policy/Procedure #:** 04.01.02 Conflict of Interests Disclosures by Covered Associates, Physician Leaders, and Other Designated Persons

---

**Purpose**

The purpose of this policy is to protect the Corporation's interests when it is contemplating entering into a transaction or arrangement that may also benefit a Director and/or family member personally.

This policy applies to Board members, Board officers, and members of Board committees, herein referred to as "Directors". A related policy (Policy/Procedure 04.01.02 "Conflict of Interests Disclosures by Covered Associates, Physician Leaders, and Other Designated Persons") applies to associates (including employed officers and other members of senior management) and physician leaders. A conflict of interests exists when a Director has a personal financial interest that may influence the decisions that the Director makes on behalf of the Corporation.

This policy provides a systematic and ongoing method of assisting Directors in disclosing and addressing potential and actual conflicts of interests.

## Principles

Directors must exercise their fiduciary duties in a manner consistent with the mission and values of Daughters of Charity Health System (DCHS). Directors must exercise the utmost good faith and fair dealing in all transactions touching their duties to the Corporation, scrupulously avoiding conflicts of interests, whether potential, actual or perceived, to ensure that the Corporation and its Board of Directors conduct activities in a fair and unbiased manner.

## Definitions

For the purpose of this Policy/Procedure, the following definitions apply:

1. **Corporation:** DCHS and its affiliates including, but not limited to, O' Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, St. Vincent Dialysis Center, Seton Medical Center, Seton Coastside, Caritas Business Services, O' Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, Seton Health Services Foundation, St. Francis Medical Center of Lynwood Foundation, St. Vincent Foundation, and the DCHS Medical Foundation.
2. **Family:** Anyone related to the Director through blood, marriage, adoption, domestic partnership, or anyone living in the Director's household.
3. **Favors:** Something offered without requesting the monetary value in return, such as discounts, meals, entertainment, tuition, seminars, and conferences.
4. **Financial Interest:** A Director or Family member has, directly or indirectly, a current or potential
  - Ownership or investment interest in; or
  - Compensation arrangement with; or
  - Other economic interest in any of the following:
    - i. The Corporation; or
    - ii. Any entity or individual with which the Corporation has a transaction or arrangement; or
    - iii. Any entity or individual with which the Corporation is negotiating a transaction or arrangement; or
    - iv. Any entity or individual that competes with the Corporation.

"Compensation" includes direct and/or indirect remuneration, as well as gifts or Favors in excess of \$300 in any calendar year.

"Ownership or investment" excludes interests of less than 1% in entities whose securities are publicly listed and have \$75 million or more of stockholders equity.



5. **Potential Conflict of Interests:** A Financial Interest is not necessarily a conflict of interests. Directors have a duty to disclose all Financial Interests for purposes of evaluation. The Board or Board committee, as applicable, shall decide whether a conflict of interests exists.

## **Procedures**

### **1. Duty to Disclose**

Directors have an ongoing duty to disclose Financial Interests, when such Financial Interests may be potential or actual conflicts of interests. Directors have a duty to disclose Financial Interests relating to specific corporate transactions, annually, and otherwise during the year, in accordance with the procedures below.

### **2. Disclosures Related to Specific Corporate Transactions**

When a potential conflict of interests arises or any situation arises in which a Director may be in doubt, the Director must disclose the material facts to the other Board members or Board committee. Disclosure of the Financial Interest shall be made prior to the Board or committee voting on such transaction or arrangement. Such disclosure may be made in person or in writing, as the Chair of the Board or committee may direct.

After disclosure of the Financial Interest and all material facts, the Director may be asked to clarify or provide additional information relevant to the Financial Interest. After all needed information is obtained by the Board or committee, the Director shall not be present during evaluation of the disclosure. The remaining Board or committee members shall decide if a conflict of interests exists.

If a determination is made that a conflict of interests does indeed exist, action may be taken as listed below.

- A. The Chair of the Board or committee may, if appropriate, appoint a disinterested Director or committee to consider alternatives to the proposed transaction or arrangement.
- B. After exercising due diligence, the disinterested members of the Board or committee shall determine whether the Corporation can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interests.
- C. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interests, the Board or committee shall determine by a majority vote of the disinterested Directors or committee members whether the transaction or arrangement is fair and reasonable to the Corporation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

- D. The Director shall not be present when the transaction is voted on and only disinterested Directors or committee members may vote to approve the transaction.
- E. At their discretion, disinterested Board or committee members may require the Director to leave the room while the proposed transaction is discussed. The disinterested members shall balance the need for independence of the determination with the need to have the Director on hand to answer questions or provide additional information to assist the Board or committee.
- F. To the extent permitted by applicable state law and the Corporation's governing documents, Directors may be counted in determining the presence of a quorum of a meeting where a potential conflict of interests has been disclosed.
- G. Prior to corporate approval of a contract or transaction in which a Financial Interest of a Director has been identified, counsel shall be consulted to determine whether any additional steps before such approval are required under California or federal law, including the California Nonprofit Corporation Law and the Internal Revenue Code and accompanying regulations.

**3. Annual and Ongoing Disclosure Requirements for Directors**

- A. **Annual Disclosure Statement:** The President and Chief Executive Officer of the Corporation or designee shall annually send the Conflict of Interests Disclosure Statement to all Directors, immediately following the annual meeting of the Board of Directors. Not later than January 31 of each year, each Director shall complete and sign a Conflict of Interests Disclosure Statement in the Exhibit to this policy.
- B. **Ongoing Requirements for Disclosures by Directors:** If any Financial Interest of a Director changes which gives rise to a potential or actual conflict of interests while the Director is serving, the Director shall promptly provide an updated Conflict of Interests Disclosure Statement to the Chair of the Board.
- C. Directors shall submit completed Conflict of Interests Disclosure Statements to the Chair of the Board. Conflict of Interests Disclosure Statements shall be made a matter of record.
- D. The information of each Conflict of Interests Statement can be compiled into a summary report for review by the Chair of the Board at their request.
- E. The Chair of the Board will address any conflict of interests issues.
- F. The Chair of the Board will report all Director conflict of interests findings (if any) and resolutions to the Board of Directors.

#### **4. Documentation of Disclosures**

- A. The minutes of the Board and all Board committees will contain the following:
  - i. The name of each Director who disclosed or otherwise was found to have a Financial Interest that was an actual or potential conflict of interests, a general statement as to the nature of the interest, the evaluation, and the Board's or committee's determination as to whether a conflict of interests in fact existed.
  - ii. The names of the persons who were present for discussions and votes relating to the transaction, a summary of the discussion that identifies whether any alternatives to the proposed transaction were considered, and a record of any votes taken in connection therewith.
- B. The President/CEO or designee shall maintain for 10 years a confidential record of the disclosure, evaluation of the facts, conclusion, and (if any) action taken to address the conflict.

#### **5. Violations of this Policy**

- A. If the Board or committee has reasonable cause to believe that a Director has failed to disclose an actual or potential conflict of interests, it shall inform the Director of the basis for such belief and afford the Director an opportunity to explain the alleged failure to disclose.
- B. After hearing the response of the Director and making such further investigation, as may be warranted, if the Board or committee determines that the Director has failed to disclose an actual or potential conflict of interests, it will take such action as it considers appropriate, which may include disciplinary and corrective action.

#### **6. Members Precluded from Voting on Matters relating to Compensation**

- A. **Voting Member of Board:** A voting member of the Board of Directors who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.
- B. **Physician Member of Board:** A physician who is a voting member of the Board of Directors and receives compensation, directly or indirectly, from the Corporation is precluded from discussing and voting on matters pertaining to the member's or another physician's compensation. No physician or physician Director, either individually or collectively, is prohibited from providing information to the Board of Directors regarding physician compensation.
- C. **Voting Member of Committee:** A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.

D. Physician Participation on Committee: Physicians who receive compensation, directly or indirectly, from the Corporation, whether as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

**7. Confidentiality Agreement**

Each Director shall sign a Confidentiality Agreement in order to protect the confidentiality of Board deliberations. A Confidentiality Agreement is included in the Conflict of Interests Disclosure Statement.

**Implementation and Review of this Policy**

This policy is to be implemented by:  
**LHM Board of Directors Chair**

This policy is to be reviewed annually for compliance and relevance by:  
**DCHS Corporate Responsibility Officer**

**Exhibit - Conflict of Interests Disclosure Statement**

Exhibit to Policy/Procedure 04.01.01

**CONFLICT OF INTERESTS DISCLOSURE STATEMENT  
AND CONFIDENTIALITY AGREEMENT  
Board of Directors and Board Committee Members**

Name: \_\_\_\_\_

Name of Corporation: \_\_\_\_\_

Title (check one):                      Director [    ]      Committee Member [    ]

Filing Period (check one):      Initial [    ]      Annual [    ]      Specific Event [    ]

Received by: \_\_\_\_\_

Date Received by Filing Officer: \_\_\_\_\_

Please answer the following questions:

**DEFINITIONS.** Capitalized terms used herein shall have the meanings set forth in the Conflict of Interests Policy 04.01.01. Refer to the "Definitions" section of the policy.

**DISCLOSURE OF FINANCIAL INTEREST.** Please fill out a new Disclosure Statement each time you become aware of a Financial Interest.

1. Do you or your Family members have, directly or indirectly, a current or potential ownership or investment interest in any of the following:
  - a. The Corporation?    Yes [    ]    No [    ]
  - b. Any entity or individual with which the Corporation has a transaction or arrangement?  
Yes [    ]    No [    ]
  - c. Any entity or individual with which the Corporation is negotiating a transaction or arrangement?    Yes [    ]    No [    ]
  - d. Any entity or individual that competes with the Corporation?  
Yes [    ]    No [    ]

("Corporation" includes DCHS and its affiliates.)

("Ownership or investment" excludes interests of less than 1% in entities whose securities are publicly listed and have \$75 million or more of stockholders equity.)

("Investment" interest includes outstanding bonds and debts.)

For each answer "yes" above, provide on a separate sheet information regarding all such interests (i.e., who holds the financial interest, your relationship to them, name of entity or individual with which the financial interest is held, nature of financial interest, dollar amount, number of shares, percentage ownership, etc.).

2. Do you or your Family members have, directly or indirectly, a current or potential compensation arrangement with any of the following:

- a. The Corporation? Yes [ ] No [ ]
- b. Any entity or individual with which the Corporation has a transaction or arrangement? Yes [ ] No [ ]
- c. Any entity or individual with which the Corporation is negotiating a transaction or arrangement? Yes [ ] No [ ]
- d. Any entity or individual that competes with the Corporation? Yes [ ] No [ ]

("Corporation" includes DCHS and its affiliates.)

("Compensation" includes direct and indirect remuneration, as well as gifts or Favors in excess of \$300 in any calendar year.)

For each answer "yes" above, provide on a separate sheet information regarding all such compensation arrangements (i.e., who has the compensation arrangement, your relationship to them, name of entity or individual they have a compensation arrangement with, nature of the compensation arrangement, dollar amount, etc.).

3. **OTHER DIRECTORSHIPS.** List the names of all entities for which you serve as a member of the Board of Directors and the estimated amount of annual compensation you receive, if any, from such entities for your service as a Director (attach additional sheets if necessary):

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

4. **OTHER POSITIONS.** List the names of all entities which transact business with the Corporation or compete with the Corporation and with which you serve in any capacity (other than as Director, including directive, managerial or consultative) and the estimated amount of annual compensation you receive, if any, from such entities for such service (attach additional sheets if necessary):

_____	\$ _____
_____	\$ _____
_____	\$ _____

5. **BORROWINGS.** Disclose the terms (i.e., amount, interest rate, security given, and duration) of any loans (of money or other property) where you are the borrower and the lender is a patient, individual or entity that transacts business with the Corporation.

---

---

6. **GIFTS OR FAVORS.** Disclose all cash gifts (regardless of the amount of cash) and any non-cash gifts or Favors which you or members of your Family have received from individuals or entities which transact business or seek to transact business with the Corporation.

---

---

7. **OTHER.** I hereby disclose the following circumstances which may involve a possible conflict of interests:

---

---

8. **CONFIDENTIALITY AGREEMENT.** I recognize that Board and committee meetings of the Corporation are conducted in strictest confidence and matters are discussed that are sensitive in nature and, therefore, confidential and proprietary. Accordingly, I agree in connection with any and all participation at meetings of the Board of Directors or committees of the Board to maintain all information, whether or not specifically identified as confidential and proprietary, in strictest confidence, absent specific authorization to release or disclose information to third parties by the Board of Directors or its President. By signature below, I also certify that neither I (nor any member of my Family) have disclosed or used information relating to the Corporation for the personal profit or advantage of myself or any member of my Family.

9. AFFIRMATION.

- I hereby acknowledge receiving a copy of the Conflict of Interests policy 04.01.01.
- I have read, understand, and agree to comply with the terms of the policy.
- I understand that the Corporation is a charitable organization and that, in order to maintain its federal tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.
- I have disclosed any and all interests and activities that I or members of my Family have or have taken part in, that when considered in conjunction with my position with or relation to the Corporation, might possibly constitute a conflict of interests.
- I agree to refrain from voting or using my personal influence on any matter that may represent a conflict of interests.
- I agree to refrain from accepting gifts or Favors, gratuities or entertainment intended to influence my judgment or actions concerning the business of the Corporation.
- If any situation should arise in the future which may involve me in a conflict of interests in accordance with the policy, I will promptly provide a new Disclosure Statement to the Chair of the Board.

SIGN AND DATE:

\_\_\_\_\_

Date: \_\_\_\_\_

Copy to: President/CEO



**EXHIBIT 6**

AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
DAUGHTERS OF CHARITY HEALTH SYSTEM

The undersigned certify that:

1. They are the President/CEO and the Secretary, respectively, of Daughters of Charity Health System, a California nonprofit religious corporation (the "Corporation").
2. The Articles of Incorporation of this Corporation are amended and restated to read in full as set forth in Exhibit A attached hereto and incorporated herein by this reference.
3. The foregoing amendment and restatement of the Articles of Incorporation has been duly approved by the board of directors and the sole member of this Corporation.
4. This Corporation has one member.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: \_\_\_\_\_, 2015

\_\_\_\_\_  
President/CEO

\_\_\_\_\_  
Secretary

## Exhibit A

### AMENDED AND RESTATED ARTICLES OF INCORPORATION

#### ARTICLE I

The name of this Corporation is "Verity Health System of California, Inc."

#### ARTICLE II

A. This Corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law of the State of California for public and charitable purposes. More specifically, the Corporation is organized and operated exclusively for the support and benefit of, to perform the functions of, or to carry out the purposes of the following organizations: O'Connor Hospital, Saint Louise Regional Hospital, St. Vincent Medical Center, St. Francis Medical Center, Seton Medical Center, Verity Medical Foundation, Verity Business Services, and St. Vincent Dialysis Center. In furtherance of the foregoing, this Corporation may do all of the following: (1) establish, acquire, develop, operate, lease, manage, and maintain acute care hospitals, physician practices, medical foundations and appurtenant facilities and related enterprises (collectively referred to as the "Verity Health System"); (2) promote and carry on scientific research related to delivery of health care services; (3) establish, manage, and maintain various types of health care enterprises, utilizing health delivery systems designed and coordinated to maximize benefits to the communities served; (4) participate in any activity designed and carried on to promote the general health of the community served by Verity Health System or any of this Corporation's affiliates; and (5) make donations, transfer assets and provide other forms of aid and assistance to, for the benefit of, or in connection with each organization that is controlled, directly or indirectly, by this Corporation or by another organization controlled by this Corporation (each, an "Affiliate"). Notwithstanding the foregoing specific statement of purposes, the Corporation shall have and may exercise all of the power of a California nonprofit public benefit corporation, but only in furtherance of the above purposes.

B. In addition to the foregoing purposes this Corporation is organized and operated primarily for charitable, scientific and educational purposes within the meaning of §501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provision of any future United States Internal Revenue Law) (the "IRC"), and within the meaning of § 214(a)(6) of the California Revenue and Taxation Code (or the corresponding section of any future California revenue and tax law) (the "R&TC") and, in furtherance of these purposes, this Corporation may:

- (1) Promote, support and engage in any and all educational, charitable and scientific programs which are now, or may hereafter be, established by any of the Affiliates.
- (2) Support and foster the corporate purposes of, and aid, assist and confer benefits upon the Affiliates.

- (3) Cooperate with the Affiliates in their respective efforts to promote quality service at reasonable rates.
- (4) Promote cooperation and the exchange of knowledge and experience within the Verity Health System.
- (5) Engage in any lawful activities within the purposes and powers for which a corporation may be organized under the California Nonprofit Public Benefit Corporation Law and as may be necessary or expedient for the administration of the affairs and attainment of the purposes of this Corporation.
- (6) Otherwise operate for charitable, scientific and educational purposes within the meaning of § 501(c)(3) of the IRC and within the meaning of § 214(a)(6) of the R&TC, in the course of which operation:
  - (a) No part of the net earnings of this Corporation shall inure to the benefit of, or be distributable to, any private shareholder or individual, except that this Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein.
  - (b) No substantial part of the activities of this Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and this Corporation shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of any candidate for public office except as authorized under the IRC and R&TC.
  - (c) Notwithstanding any other provisions of these Articles, this Corporation shall not carry on any other activities not permitted to be carried on by (i) a corporation exempt from federal income tax under § 501(a) of the IRC, or by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC, or (ii) by a corporation exempt from taxation under § 214 of the R&TC.

### ARTICLE III

The name and address in the State of California of this Corporation's agent for service of process is:

[TBD]

---

---

---

#### ARTICLE IV

The street and mailing address of this Corporation is 26000 Altamont Road, Los Altos, California 94022-4317.

#### ARTICLE V

This Corporation shall have no members.

#### ARTICLE VI

The property of this Corporation is irrevocably dedicated to charitable, educational, and scientific purposes meeting the requirements of § 214 of the R&TC and in Article II.B hereof. Upon the winding up and dissolution of this Corporation, its assets remaining, after payment or adequate provision for payment of all debts and obligations of this Corporation, shall be distributed in accordance with a plan of liquidation approved by the Board of Directors to such organization or organizations determined by the Board of Directors and organized and operated exclusively for charitable, educational or scientific purposes as shall at the time qualify as an exempt organization or organizations under § 501(c)(3) of the IRC and under § 214 of the R&TC. No assets shall be distributed to any organization if any part of the net earnings of such organization inures to the benefit of any private person or individual, or if a substantial part of the activities of such organization is the carrying on of propaganda or otherwise attempting to influence legislation, or if the organization participates in, or intervenes in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office, or if the organization carries on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under § 501(c)(3) of the IRC and meeting the requirements of § 214 of the R&TC or (ii) by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC.

#### ARTICLE VII

These Articles shall be amended only upon approval by this Corporation's Board of Directors.

**EXHIBIT 7**

AMENDED AND RESTATED  
BYLAWS  
OF  
VERITY HEALTH SYSTEM OF CALIFORNIA, INC.

Adopted  
as of \_\_\_\_\_, 2015

## TABLE OF CONTENTS

	<u>Page(s)</u>
Article I NAME .....	1
Article II DEFINITIONS .....	1
Article III PURPOSES AND MISSION.....	2
Article IV OFFICES AND SEAL.....	2
Article V BOARD OF DIRECTORS .....	2
Article VI MEETINGS OF THE BOARD OF DIRECTORS.....	8
Article VII CORPORATE OFFICERS .....	9
Article VIII COMMITTEES.....	14
Article IX GENERAL PROVISIONS .....	18
Article X INDEMNIFICATION AND INSURANCE.....	19
Article XI MAINTAINING A UNIFIED HEALTH SYSTEM .....	20
Article XII GENDER AND NUMBER.....	20
Article XIII AMENDMENTS .....	21



AMENDED AND RESTATED  
BYLAWS OF  
VERITY HEALTH SYSTEM OF CALIFORNIA, INC.

ARTICLE I

NAME

The name of this Corporation shall be as set forth in its Articles of Incorporation.

ARTICLE II

DEFINITIONS

Section 2.1 Definitions. These Bylaws contain the terms “Affiliate” and “Health System.” These terms are also used in the bylaws of the entities comprising the Health System. For purposes of continuity, when used in these Bylaws, such terms shall be interpreted to give full effect to the intent of Article XI of these Bylaws.

A. Affiliate. The term “Affiliate” shall mean, individually, each organization that is controlled, directly or indirectly, by this Corporation or by another organization controlled by this Corporation. As used in this definition, “control” shall mean (a) the status of sole corporate member of an organization; or (b) the authority to appoint, elect or approve at least a majority of the governing body of an organization.

B. Effective Date. The “Effective Date” shall mean the date of adoption of these Bylaws.

C. Health System. “Health System” shall mean, collectively, this Corporation and its Affiliates.

D. Subsidiary. “Subsidiary” shall mean an Affiliate that is under the direct control of another Affiliate.

E. System Authority Matrix. “System Authority Matrix” shall mean the document as in effect from time to time which sets forth the respective responsibilities and authorities for Health System operations and decision making.

F. Other Capitalized Terms. Capitalized terms used in these Bylaws and not otherwise defined herein are used herein with the meanings given them in the California Nonprofit Corporation Law.

## ARTICLE III

### PURPOSES

Section 3.1 Purposes. The purposes of this Corporation are set out in its Articles of Incorporation as in effect from time to time.

## ARTICLE IV

### OFFICES AND SEAL

Section 4.1 Offices. The principal office for the transaction of the business of this Corporation shall be in the County of Santa Clara, State of California. This Corporation may also have an office or offices within or without the State of California, as the Board of Directors may from time to time establish.

Section 4.2 Seal. This Corporation may have a common seal inscribed with the name of this Corporation.

## ARTICLE V

### BOARD OF DIRECTORS

Section 5.1 Powers. Subject to the provisions of this Corporation's Articles of Incorporation, these Bylaws, the System Authority Matrix, and the laws of the State of California, the activities and affairs of this Corporation shall be managed and conducted and all corporate powers shall be exercised by or under the direction of this Corporation's Board of Directors. To facilitate the management and conduct of this Corporation's activities and affairs, the Board of Directors shall establish corporate policies for, and formulate the basic rules and regulations governing the operation and management of, this Corporation. The Board of Directors may delegate the management and conduct of this Corporation's activities and affairs to any person or persons, management company, or committee however composed, provided that no delegation of authority by the Board of Directors to the President and Chief Executive Officer (as defined in Section 7.8 below), or anyone else, shall preclude the Board of Directors from exercising the authority required to meet its governance responsibility for the management and conduct of this Corporation's activities and affairs; and provided further that any delegation of powers of the Board may be made only to a committee of the Board consisting only of directors and shall be subject to the further limitations on Board committees set forth in Section 8.1 of these Bylaws. The Board of Directors shall retain the right to rescind any such delegation.

Section 5.2 Specific Authority of the Board of Directors. Without limiting the generality of the foregoing, the Board of Directors has the power and authority to take or approve the following actions, subject to the System Authority Matrix:

- A. Approve or change the mission, role and/or purpose of this Corporation;

- B. Amend, restate, or repeal the Bylaws and Articles of Incorporation of this Corporation;
- C. Approve the merger, consolidation, reorganization, or dissolution of this Corporation and the disposition of the assets of this Corporation upon dissolution;
- D. Elect and remove the Directors of this Corporation;
- E. Approve any amendment of the approval rights of the Corporation set forth in the System Authority Matrix;
- F. Establish the overall debt limit governing the incurrence of debt and guaranties by this Corporation and its Affiliates and approve the incurrence of debt and guaranties of this Corporation or any of its Affiliates other than in accordance with such policies as in effect from time to time;
- G. Approve the capital and operating budgets of this Corporation;
- H. Establish the criteria for and approve the financial and strategic plans of the Corporation;
- I. Approve the sale, transfer, substantial change in use of the assets of the Corporation to the extent required by the System Authority Matrix; and
- J. Approve the formation by this Corporation of any new corporation or other legal entity, or its participation (excluding investment in publicly-traded securities) in any corporation or other entity as a shareholder, member, partner or joint venturer.
- K. Approve the selection of the external audit firm for the Corporation and its Affiliates; and
- L. Establish and appoint, and prescribe the duties and authorities of the audit, finance, and any other committee for the Health System that would substitute or supersede such committees of the governing bodies of the Affiliates to the extent allowed by applicable law.

Section 5.3 Specific Authority of the Corporation as Sole Corporate Member of Affiliates. The Board of Directors has the power and authority, in the name and on behalf of this Corporation, to take or approve the following actions with respect to its Affiliates, subject to the System Authority Matrix:

- A. Approve the formation, merger, dissolution, consolidation, divestiture, closure, change in corporate membership or control and reorganization of each direct Affiliate of this Corporation;
- B. Appoint and remove the chief executive officer and chairperson of the board of each of the Affiliates;

C. Approve the incurrence of debt and guaranties of any of its Affiliates other than in accordance with such policies as in effect from time to time;

D. Approve the sale, transfer, substantial change in use of the assets of any Affiliate to the extent required by the System Authority Matrix;

E. Approve any other action of this Corporation or any Affiliate controlled by this Corporation that has been established by resolution of the Board of Directors as requiring its approval, including but not limited to any approvals of authority necessary to ensure compliance with any credit agreement, master indenture or loan agreement to which this Corporation or any Affiliate controlled by this Corporation is a party.

Section 5.4 Board of Directors on the Effective Date. The Board of Directors on the Effective Date shall be those persons elected or appointed as specified in Section 2.1(a) of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, this Corporation, and Certain Funds Managed by BlueMountain Capital Management, LLC ("BMCM") dated July 17, 2015.

Section 5.5 Number and Qualification.

A. Generally. The Board of Directors shall consist of no less than five (5) members, as follows:

(1) BMCM shall have the right to appoint not more than twenty percent (20%) of the number of Directors constituting the Board of Directors at any time (each a "BM Director Appointee") during the period of time that its affiliate, Integrity Healthcare, LLC (the "Manager"), is providing management services to the Corporation pursuant to a management services agreement; and

(2) the remainder shall be persons nominated by the Nominating Committee as provided in Section 5.4 of these Bylaws and elected by the Board of Directors (the "At-Large Directors").

B. Qualifications.

(1) At-Large Directors recommended by the Nominating Committee shall be selected in a manner that meets any applicable requirements for the Corporation to maintain its tax-exempt status. Collectively, the At-Large Directors shall have the experience and expertise appropriate to fulfillment of their fiduciary duties as independent directors of a California nonprofit public benefit corporation. In the ordinary course, this means they will have experience in complex business operations and have had involvement in non-profit tax-exempt organizations. They will have exercised judgment in challenging business settings, and will have experience in working with teams in reaching goals. The At-Large Directors shall have demonstrated a willingness to commit support for

the mission of the Corporation and training and experience in matters relevant to service as a member of the Board of Directors through:

- (1) participation in community affairs or in the work of other charitable organizations;
- (2) ability and willingness to contribute to the achievement of the purposes of the Corporation;
- (3) awareness of the objectives of the Corporation as they relate to the health needs of the Corporation's service area; and
- (4) such other criteria as may be recommended to the Nominating Committee by the Board of Directors.

(2) BM Director Appointees and At-Large Directors shall not, either directly or indirectly, personally or through a family member, have any financial relationship with BMCM, or its owned or managed affiliates, and may not serve as an officer, director, contractor or employee of BMCM, any managed fund, or entity in which BMCM has an equity stake or option to purchase, except for public companies wherein BMCM has an interest of less than 10%.

C. Restriction on Interested Directors. Not more than forty-nine percent (49%) of the persons serving on the Board of Directors at any time may be interested persons. An interested person is (i) any person currently being compensated by this Corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor or otherwise, but excluding any reasonable compensation paid to a Director as Director; or (ii) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law or father-in-law of any such person. However, any violation of the provisions of this Section shall not affect the validity or enforceability of any transaction entered into by this Corporation.

Section 5.6 Nomination and Election of At-Large Directors. Candidates for At-Large Directors may be recommended by any member of the Board of Directors to the Nominating Committee, constituted in accordance with Section 8.7 of these Bylaws. Except as otherwise provided in this Section 5.6, and acting by the unanimous consent or vote of all of its members, the Nominating Committee shall nominate At-Large Director candidates to the Board of Directors and the Board of Directors shall elect the Directors of this Corporation at its annual meeting or at any other time designated by the Board of Directors. Notwithstanding the foregoing, if, after taking votes on two candidates for the same Director seat, the Nominating Committee does not vote unanimously for one of two initially considered candidates, then the affirmative vote needed to formally nominate a candidate to the Board of Directors may be by simple majority of the members of the Nominating Committee. The Nominating Committee shall notify the Board of Directors in writing of nominees at least ten (10) business days in advance of any regular or special meeting of the Board of Directors at which Directors are to be

elected. At the next regular or special meeting of the Board of Directors, the Board of Directors shall either elect or reject as an At-Large Director any nominees provided by the Nominating Committee. If any Director positions remain unfilled, the nomination procedure shall be repeated and new names nominated in accordance with the procedures set forth in this Section, until all Director positions are filled.

Section 5.7 Term. Each appointed Director shall hold office for a term of one (1) year or such other period as the Board of Directors may set and until his or her successor is elected or appointed and qualified. Appointed Directors may be reappointed in accordance with Section 5.5(A) of these Bylaws.

Section 5.8 Removal and Filling of Vacancies. Any or all Directors may be removed from office, with or without cause, by the Board of Directors, except that the removal of a BM Director Appointee also requires the agreement of BMCM. The Board of Directors may declare vacant the office of a Director who has been removed, who has been declared of unsound mind by a final order of court or convicted of a felony, or who has been found, by a final order or judgment of any court, to be in breach of any duty owed to the Corporation under California law. In the event a Director shall be so removed or his or her office is declared vacant, a new Director to fill the unexpired term or terms of the Director who was removed or whose office was declared vacant may be appointed by the Board of Directors from nominees selected by the Nominating Committee, except that the vacant seat of a BM Director Appointee can only be filled by a new appointment by BMCM in accordance with Section 5.5(A) of these Bylaws. At all times the Board of Directors shall have not more than twenty percent (20%) of its members appointed by BMCM.

Section 5.9 Resignation. Any Director may resign at any time by delivering her or his resignation in writing to the Chairperson of the Board of Directors, or the Secretary or to the Board of Directors of the Corporation at its principal office; provided that, except upon notice by the Attorney General, no Director may resign if the Corporation would then be left without a duly elected Director or Directors in charge of its affairs. Such resignation shall be effective upon receipt unless specified to be effective at some other time.

Section 5.10 Compensation and Expenses. Directors may receive such reasonable compensation (within the meaning of Internal Revenue Code Section 4958), if any, for serving as Director, and advances or reimbursement for reasonable expenses, as may be fixed or determined by the Board of Directors. Directors may receive compensation from the Corporation for services rendered to it, subject to the restriction on interested Directors as set forth in Section 5.5(C).

Section 5.11 Self-Dealing Transactions. This Corporation shall not enter into self-dealing transactions. Except as provided in Section 5.11(A), for the purpose of this section, a self-dealing transaction means a transaction to which this corporation is a party and in which one or more of the members of its Board of Directors or officers has a material financial interest and which does not meet the requirements of Sections 5.11(B) or 5.11(C). Such a member of the Board of Directors is an "interested director" for the purpose of this section.

A. Exceptions. The provisions of this section do not apply to any of the following:

(1) An action of the Board of Directors fixing the compensation of a member of the Board of Directors as an officer of this corporation.

(2) A transaction which is part of a public or charitable program of this corporation if it (i) is approved or authorized by this corporation in good faith and without unjustified favoritism and (ii) results in a benefit to one or more members of the Board of Directors or their families because they are in the class of persons intended to be benefited by the public or charitable program.

(3) A transaction, of which the interested director or directors have no actual knowledge, and which does not exceed the lesser of one percent of the gross receipts of this corporation for the preceding fiscal year or one hundred thousand dollars (\$100,000).

B. Prior Board of Directors Approval. This Corporation may enter into a self-dealing transaction if all of the following facts are established:

(1) This Corporation entered into the transaction for its own benefit;

(2) The transaction was fair and reasonable as to this Corporation at the time this Corporation entered into the transaction;

(3) Prior to consummating the transaction or any part thereof the Board of Directors authorized or approved the transaction in good faith by a vote of a majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors, and with knowledge of the material facts concerning the transaction and the director's interest in the transaction. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction. Except as provided in Paragraph 5.11(C)(1), action by a committee of the Board of Directors shall not satisfy this paragraph; and

(4) Prior to authorizing or approving the transaction the Board of Directors considered and in good faith determined after reasonable investigation under the circumstances that this corporation could not have obtained a more advantageous arrangement with reasonable effort under the circumstances or (ii) this corporation in fact could not have obtained a more advantageous arrangement with reasonable effort under the circumstances.

C. Subsequent Board of Directors Approval. This corporation may enter into a self-dealing transaction if all of the following facts are established:

(1) A committee or person authorized by the Board of Directors approved the transaction in a manner consistent with the standards set forth in Section 5.11(B);

(2) It was not reasonably practicable to obtain approval of the Board of Directors prior to entering into the transaction; and

(3) The Board of Directors, after determining in good faith that the conditions of subparagraphs (1) and (2) of this Section were satisfied, ratified the transaction at its next meeting by a vote of the majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction.

## ARTICLE VI

### MEETINGS OF THE BOARD OF DIRECTORS

Section 6.1 Place of Meeting. All meetings of the Board of Directors shall be held at the principal office of this Corporation or at such other place as may be designated for that purpose in the notice of the meeting or, if not stated in the notice or there is no notice, at such place as may be set by resolution of the Board.

Section 6.2 Meetings by Telephone or Electronic Communication. Directors may participate in any meeting of the Board of Directors, regular or special, through the use of conference telephone, electronic video screen communication, or electronic transmission by and to the Corporation. Participation in a meeting through conference telephone or electronic video screen communication constitutes presence in person at that meeting so long as all members participating are able to hear one another. Participation in a meeting through electronic transmission other than telephone conference or electronic video transmission constitutes presence at that meeting so long as both of the following apply: (A) each member participating in the meeting can communicate with all of the other members concurrently; (B) each member is provided the means of participating in all matters before the Board of Directors, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the Corporation.

Section 6.3 Annual Meetings. The Board of Directors shall hold an annual meeting for the purpose of organizing the Board, the election of officers, and the transaction of such other business as may come before the meeting. The annual meeting shall be held at such time as the Board may fix by resolution from time to time. No notice of the annual meeting of the Board of Directors need be given.

Section 6.4 Regular Meetings. Regular meetings of the Board of Directors shall be held at such time as the Board may fix by resolution from time to time. No notice of any regular meeting of the Board of Directors need be given.



Section 6.5 Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairperson of the Board or by two (2) or more Directors of this Corporation.

Section 6.6 Notice of Special Meetings. Notice of the time and place of special meetings shall be communicated personally or by telephone to each Director or sent to each Director by mail or other form of written communication, addressed to him or her at his or her address as it is shown on the records of this Corporation. Such notice, if mailed, shall be mailed at least seventy-two (72) hours prior to the time of the meeting, or if delivered personally, telephonically or telegraphically or by e-mail, shall be received at least forty-eight (48) hours prior to the time of the meeting.

Section 6.7 Waiver of Notice. Notice of a meeting need not be given to any Director who signs a waiver of notice or a written consent to hold the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 6.8 Quorum. At all meetings of the Board of Directors, a majority of the then serving Directors, but not less than two (2), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of the Directors present, whether or not a quorum, may adjourn any Directors' meeting to another time and place. The act of a majority of the Directors present at any time at which there is a quorum shall be the act of the Board of Directors, unless a greater number is required by law. Notwithstanding the previous provisions of this Section, the Directors present at a meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, so long as any action taken is approved by at least a majority of the required quorum for such meeting.

Section 6.9 Action Without Meeting. Any action required or permitted to be taken by the Board of Directors under any provision of law, the Articles of Incorporation or these Bylaws may be taken without a meeting if all of the Directors individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as the unanimous vote of such Directors. Any certificate or other document filed on behalf of this Corporation relating to an action taken by the Board without a meeting shall state that the action was taken by written consent of the Board of Directors without a meeting and that the Bylaws of the Corporation authorize its Directors to so act.

Section 6.10 Prohibition Against Voting by Proxy. Directors may not vote by proxy.

## ARTICLE VII

### CORPORATE OFFICERS

Section 7.1 Officers.

A. The officers of this Corporation shall include a Chief Executive Officer and President (“CEO”), Chairperson of the Board, Vice Chairperson of the Board, Chief Financial Officer (“CFO”), and a Secretary, all of whom shall be selected in accordance with the provisions of this Article VII. Any number of such offices may be held by the same person, but neither the Chairperson of the Board nor the President/CEO may serve concurrently as the Secretary or CFO of this Corporation.

B. Except as otherwise set forth in these Bylaws, the officers of this Corporation shall be chosen annually by the Board of Directors and shall hold office until his or her resignation or removal by the Board of Directors or, in the case of the President/CEO and Chief Financial Officer, by the Manager (during any time that the Management Agreement is in effect), other disqualification to serve, or until his or her successor shall be elected and qualified. Notwithstanding any provision to the contrary in these Bylaws, as long as the Management Agreement remains in effect and has not terminated or expired, the Manager (as defined in the Management Agreement) will be obligated to provide an acceptable President/CEO and Chief Financial Officer, all as set forth under the terms and conditions of the Management Agreement, and will have the right to terminate or remove the Chief Executive Officer and President and Chief Financial Officer, without the approval of the Board of Directors. In the event the Manager terminates the President/CEO or Chief Financial Officer, the Manager shall be required to provide a replacement of such officer to be approved by the Board of Directors. The Board of Directors shall have the right to require Manager to replace the President/CEO if the Board of Directors determines, in its sole judgment, that the President/CEO is unacceptable.

C. The Board of Directors may appoint such other officers from among the members of the Board of Directors, such as one or more assistant secretaries or treasurers, as the business of this Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board of Directors from time to time may authorize.

Section 7.2 Removal of Officers. Subject to any consultation or approval requirements under the System Authority Matrix, any officer may be removed, with or without cause, by a majority of Directors then in office, at any regular or special meeting of the Board, except that if an employment agreement is in effect for any officer, its terms shall govern the removal of the officer. Should a vacancy occur in any office as a result of death, resignation, removal, disqualification or any other cause, the Board of Directors may delegate the powers and duties of such office, except as otherwise provided in these Bylaws, to any officer or to any Director until such time as a successor for such office has been elected or appointed. Any officer shall be automatically removed as such an officer upon his or her removal as a Director in accordance with the provisions of Section 5.6 of these Bylaws.

Section 7.3 Chairperson of the Board. The Chairperson of the Board shall be elected from among the Directors and shall have the powers and duties usually associated with such

office. The Chairperson of the Board shall preside over meetings of the Board of Directors, supervise activities of the Board, and serve as an ex-officio voting member of all Board committees.

Section 7.4 Vice Chairperson of the Board. The Vice Chairperson of the Board shall be elected from among the Directors and, in the absence or disability of the Chairperson of the Board, shall perform all duties of the Chairperson of the Board and, when so acting, shall have all powers of and be subject to all restrictions upon the Chairperson of the Board. In the absence of both the Chairperson of the Board and the Vice Chairperson of the Board, the Board shall select one of its members, other than the Secretary or Treasurer, to act as Chairperson of the Board.

Section 7.5 Secretary. The Secretary shall be elected from among the Directors and shall keep or cause to be kept at the principal office or at such other place as the Board of Directors may determine, a book of minutes of all meetings of the Directors, whether annual, regular or special, with the time and place of the meeting, the notice given, the names of those present at the meeting, the proceedings thereat and, if a special meeting, how it was authorized. The Secretary shall give or cause to be given notice of all meetings of the Board of Directors required by these Bylaws or by law. He or she shall keep the corporate seal in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

Section 7.6 Treasurer. The Treasurer shall be elected from among the Directors and shall have the powers and duties usually associated with such office, subject to limitation or extension by the Board of Directors. The Treasurer shall keep and maintain or cause to be kept and maintained adequate and correct accounts of the properties and business transactions of this Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains and losses. The books of account shall at all times be open to inspection by any Director, or the Corporate Member. The Treasurer shall submit or cause to be submitted to the Board of Directors annual statements of receipts and expenditures.

Section 7.7 President and Chief Executive Officer. The President and the Chief Executive Officer shall be the chief executive officer of this Corporation, shall serve as a member of the Corporation's executive team, and shall be an employee of the Corporation, except that during any period that the Management Agreement is in effect he or she shall be an employee of the manager thereunder. Subject to the powers of the Manager (during any time that the Management Agreement is in effect), the President/CEO shall be appointed by and subject to the removal of the Board of Directors. He or she shall report to and be accountable to the Manager (during any time that the Management Agreement is in effect), and report to, be accountable to and subject at all times to the ultimate supervision and authority of the Corporation's Board of Directors, shall have general supervision, direction and control of the business and non-Director officers of this Corporation and shall be held responsible for the proper functioning and management of this Corporation. The President and Chief Executive Officer shall possess the degree of education and experience appropriate to the proper discharge of these responsibilities and, if a management or employment agreement may be in effect, meet all of the requirements set forth in the management or employment agreement. The Board of

Directors shall initiate and conduct periodic performance reviews of the President and Chief Executive Officer. Subject to the direction of the Manager (during any time that the Management Agreement is in effect) and the ultimate supervision and control of this Corporation's Board of Directors, the President and Chief Executive Officer shall organize the administrative functions of this Corporation, delegate duties and establish formal means of accountability on the part of his or her subordinate officers. The President and Chief Executive Officer may be an ex-officio voting member of all Advisory Committees, if so determined by the Board of Directors. He or she shall have the general powers and duties of management usually vested in the chief executive officer under the California Nonprofit Public Benefit Corporation Law and shall have other powers and duties as may be prescribed by this Corporation's Board of Directors, these Bylaws, and the System Authority Matrix.

These powers and duties shall include, but not be limited to, the following:

- A. to support and assist this Corporation in furtherance of its charitable purposes, consistent with the established philosophy and mission of the Health System;
- B. to direct and implement the goals, policies and programs established for the Health System;
- C. to promote a high standard of quality of care provided by the Health System through setting goals and objectives for quality improvement;
- D. to act as the representative of this Corporation to the public as well as to governmental and voluntary organizations;
- E. to make policy proposals to the Board of Directors and the Corporation's executives;
- F. to assume responsibility for strategic planning, financial planning, physical facilities, site development and program planning to meet the health needs of the community;
- G. to report to the Board of Directors and the Corporation's executives on the performance of this Corporation as well as on appropriate federal, state and local developments that affect health care therein;
- H. to attend all meetings of the Board of Directors and committees thereof, except as otherwise determined by the Board of Directors;
- I. to serve on such Advisory Board committees as determined by the Board of Directors;
- J. to assure proper day-to-day administration of this Corporation;

K. to prepare an annual budget and periodically report to the Board of Directors and to the Corporation's executives on this Corporation's financial affairs and condition;

L. in consultation with the Board of Directors, to appoint each Vice President of the Corporation, to set the terms and conditions of employment of the Vice Presidents and to evaluate their performance periodically, to assure the proper selection, employment, control and discharge of employees of the Corporation and the executives and officers of the Affiliates and Subsidiaries, and the development and maintenance of this Corporation's written personnel policies and practices;

M. to assure proper maintenance and to keep the physical properties of this Corporation in a good state of repair; and

N. to assure proper business management of this Corporation so that funds are collected and expended in keeping with sound business practice and with charity.

Section 7.8 Chief Financial Officer. The Chief Financial Officer shall, in coordination with the Treasurer, and according to the direction of the Board of Directors and the President/CEO, keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, and fund balance. The books of account shall at all reasonable times be open to inspection by any Director. The Chief Financial Officer shall deposit all monies and other valuables in the name and to the credit of the Corporation with such depositaries as may be designated by the Board of Directors. He or she shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the President and Chief Executive Officer, or the Directors whenever they request it, an account of all transactions as Chief Financial Officer and of the financial condition of the Corporation, and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws. Subject to the powers of the Manager (during any time that the Management Agreement is in effect), the Chief Financial Officer shall be appointed by and shall be subject to removal by the President and Chief Executive Officer of the Corporation. He or she shall report to and be accountable to the Board of Directors of this Corporation, the President and Chief Executive Officer, and the Manager (during any time that the Management Agreement is in effect).

Section 7.9 Reporting Relationship of Certain Corporate Officers to the Board of Directors. Persons serving from time to time in the positions of Corporate Responsibility Officer and Vice President and General Counsel shall report to and be accountable to the Board of Directors and the President and Chief Executive Officer and each of them shall be entitled to confidential access to the Chairperson and other members of the Board of Directors as necessary or advisable to carry out such person's duties in such position.

Section 7.10 Resignation. Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the

acceptance of the resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

Section 7.11 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

## ARTICLE VIII

### COMMITTEES

#### Section 8.1 Generally.

A. The Board of Directors may by resolution establish (1) Committees of the Board which shall have legal authority to act for this Corporation and, as determined by the Board of Directors, the Health System, and (2) Advisory Committees. Committees may be either standing or special. Members of all committees shall serve at the pleasure of the Board. Any Committee of the Board which shall have legal authority to act for this Corporation, to the extent provided in a resolution of the Board, shall have all authority of the Board, except with respect to:

- (1) The approval of any action for which the California Nonprofit Public Benefit Corporation Law or these Bylaws also require approval of a majority of this Corporation's Board of Directors;
- (2) The filling of vacancies on the Board of Directors or on any committee that has the authority of the Board;
- (3) The amendment or repeal of any resolution of the Board of Directors that by its express terms is not so amendable or repealable;
- (4) The appointment of other committees or members thereof;
- (5) The approval of any self-dealing transaction, except as provided in Section 5233(d)(3) of the California Nonprofit Public Benefit Corporation Law;
- (6) Any decision with respect to the retention or termination of the Chief Executive Officer, approval or amendment of any operating or capital budget, approval of the annual audit, amendment of these Bylaws, any unbudgeted capital expenditure, or any decision with respect to the acquisition, divestiture, sale or other disposition of Corporation's assets, or the creation of any new Corporation liabilities, or the exercise of any reserved power held by the Corporation with respect to any of the Affiliates.

B. The Board of Directors shall have the power to prescribe the manner in which proceedings of any committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless these Bylaws, the Board or such committee shall otherwise provide, the regular and special meetings and other actions of any committee shall be governed by the provisions of Article VII of these Bylaws. Each committee shall keep minutes of its proceedings and shall report the same to the Board from time to time, as the Board of Directors may require. The Board of Directors shall review the charter of each committee governed by a charter at least once every two years.

Section 8.2 Committees of the Board. Only Directors may be appointed as voting members of Committees of the Board. Each Committee of the Board shall consist of five (5) or more Directors, with at least one (1) member of each Committee being a BM Director Appointee. The Chairperson and members of Committees of the Board shall be appointed by the Board of Directors. The Board may designate one or more Directors as alternate members of any such committee, who may replace any absent member at any meeting of the committee.

Section 8.3 Advisory Committees. Advisory Committees may consist of two or more persons and may consist of Directors only, Directors and non-Directors, or non-Directors only, and may include non-voting members and alternate members. The Chairperson and members of Advisory Committees shall be appointed by the Chairperson of the Board or the Board of Directors. Advisory Committees shall have no legal authority to act for this Corporation.

Section 8.4 Executive Committee.

A. There may be an Executive Committee which, if established, shall consist of such members of the Board of Directors as the Board may designate, and shall include at least one BM Director Appointee. The Chairperson of the Executive Committee shall be the person then serving as Chairperson of the Board. The Executive Committee shall have authority to act for this Corporation, subject to the provisions of Section 8.1(A) of these Bylaws, as to those matters which may arise and cannot be handled in the ordinary course of regular or special meetings of the Board of Directors.

B. The establishment of an Executive Committee and the delegation of authority to it shall not operate to relieve the Board of Directors or any individual Director of any responsibility imposed on it or him or her by law, by the Articles of Incorporation of this Corporation or these Bylaws.

C. The Executive Committee shall meet at such times as it deems necessary, provided that reasonable notice of all meetings of the Executive Committee shall be given to its members and no act of the Executive Committee shall be valid unless approved by the vote of a majority, or by the unanimous written consent, of its members.

Section 8.5 Audit Committee. In a fiscal year in which the Corporation's gross revenue is \$2,000,000 or more, the Corporation shall appoint an audit committee (the "Audit Committee"), shall hire an independent auditor, and shall have such auditor prepare an audited

financial statement. Such \$2,000,000 threshold excludes grants received from and contracts and services with government entities for which the governmental entity requires an accounting of funds received.

A. Members. The Audit Committee may include non-Board members, but it may not include any members of the staff, the President/CEO, or the CFO. If the Corporation has a Finance Committee, it shall be separate from the Audit Committee. The Audit Committee may include members of the Finance Committee, but such overlapping members shall constitute less than half of the Audit Committee and the chairperson of the Audit Committee may not be a member of the Finance Committee. Any person who has any material financial interest in any entity doing business with the Corporation may not serve on the Audit Committee. Each member of the Audit Committee shall serve as such until such member's successor shall be appointed by the Board of Directors. In the event that any member of the Audit Committee shall resign or cease to be a Director of the Corporation, the vacancy thus caused shall be filled by the Board. The Audit Committee shall be an Advisory Committee and shall operate in accordance with this Section 8.5 and the charter adopted by the Board of Directors as in effect from time to time. The Audit Committee shall consist of not fewer than three members, all of whom shall be or shall be capable of becoming familiar with basic financial statements and accounting principles, and all of whom shall be deemed by the Board of Directors to be free of any relationship that would interfere with independent judgment. The Audit Committee shall meet at least quarterly, and shall meet at least annually with the outside auditor or auditors of the Corporation in the absence of all members who are employees of the Corporation or any Affiliate controlled by the Corporation.

B. Duties of the Audit Committee. Subject to the supervision of the Board, the Audit Committee shall exercise the following powers, responsibilities, and duties:

- (1) To make recommendations to the Board regarding the appointment, retention, and termination of the independent auditor for the corporation and the Affiliates;
- (2) To negotiate the auditor's compensation;
- (3) To confer with the auditor to satisfy its members that the financial affairs of the corporation and the Affiliates are in order;
- (4) To review the audit and decide whether to accept it; and
- (5) To assure that any non-audit services performed by the auditor conform to the applicable independent standards and to approve such nonaudit services.



C. Compensation. No member of the Audit Committee shall receive compensation for serving on the Audit Committee. An Audit Committee member may be reimbursed for reasonable expenses incurred in attending such meetings.

D. Control by the Board. The Audit Committee shall be subject at all times to the control of the Board, which shall have the power to revise or alter any action taken by the Audit Committee; provided, however, that no rights of third parties shall be affected thereby.

Section 8.6 Financial Statements Must Be Made Available. If the Corporation prepares an audited financial statement (either in accordance with Section 8.5 above or otherwise), such audited financial statement shall be made available for inspection by the California Attorney General and by all members of the public no later than nine months after the close of the relevant fiscal year in the same manner as the corporation's Internal Revenue Service Form 990. Each annual financial statement shall be made available to the public for three years.

Section 8.7 Nominating Committee. The Nominating Committee shall be a standing advisory committee and shall be composed of five (5) Directors appointed by the Chairperson, including one BM Director Appointee. The Nominating Committee shall have the authority and responsibility to:

A. Recruit, screen, and evaluate candidates for Directors of this Corporation and other entities in which the Corporation has the right or power to appoint directors or managers and shall solicit recommendations and input from all Directors, BlueMountain Capital Management, LLC, and Manager for nominees to the Board of Directors;

B. Nominate Director nominees to the Board of Directors, and of other entities for which this Corporation has the right to appoint directors or managers; and

C. Perform such other functions as may be assigned to it by the Board of Directors.

Section 8.8 Executive Compensation Review and Approval. During any period that the President/CEO and CFO are employed by the Corporation, rather than the Manager, the Board, or any authorized Committee of the Board, shall review and approve the compensation, including benefits, of the President/CEO and the CFO to ensure that each such officer's compensation is just and reasonable. Such review and approval shall occur when the officer is initially hired; whenever the officer's term of employment is renewed or extended, and when the officer's compensation is modified, unless such modification applies to substantially all employees.

Section 8.9 Term of Office. The Chairperson and each member of a standing committee shall serve until the next election of Directors and until his or her successor is appointed or until such committee is sooner terminated or until he or she is removed, resigns or otherwise ceases to qualify as a member of the committee. The Chairperson and each member of

a special committee shall serve for the life of the committee unless they are sooner removed, resign or cease to qualify as members of such committee.

Section 8.10 Vacancies. Vacancies on any committee may be filled for the unexpired portion of the term in the same manner as provided in the case of original appointments.

Section 8.11 Quorum. At all committee meetings, a majority of committee members then serving, but not less than three (3), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of committee members present, whether or not a quorum, may adjourn any committee meeting to another time and place. The act of a majority of the committee members present at a meeting at which there is a quorum shall be the act of the committee. Notwithstanding previous provisions of this Section, the committee members present at a meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of committee members, so long as any action taken is approved by at least a majority of the required quorum for such meeting.

## ARTICLE IX

### GENERAL PROVISIONS

Section 9.1 Voting Interests. The Corporation may vote any and all shares held by it in any other corporation and may exercise any and all membership rights held by it in any other corporation. Such action shall be undertaken or evidenced on behalf of this Corporation by such officer, agent or proxy as the Board of Directors may appoint or, in default of any such appointment, by the Chairperson of the Board or by an officer who is also a Director and, in such case, such person may likewise appoint a proxy to vote shares.

Section 9.2 Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to this Corporation and any and all securities owned or held by this Corporation requiring signature for transfer shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by the Board of Directors.

Section 9.3 Execution of Contracts. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute any instrument in the name of and on behalf of this Corporation and such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors or by the System Authority Matrix, no officer, agent or employee shall have any power or authority to bind this Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 9.4 Inspection of Corporate Records. The accounting books and records of this Corporation and the minutes of proceedings of this Corporation's Board of Directors and Committees shall be open to inspection upon the written request of any Director at any

reasonable time and for any purpose reasonably related to the interests of the Director. Such inspection may be made in person or by an agent or attorney.

Section 9.5 Annual Report. The Board of Directors shall cause an annual report to be sent to each Director of this Corporation no later than one hundred twenty (120) days after the close of this Corporation's fiscal or calendar year. Such annual report shall be prepared in conformity with requirements of the California Nonprofit Public Benefit Corporation Law.

Section 9.6 Dissolution. The property and assets of this Corporation are irrevocably dedicated to charitable, educational and scientific purposes. Upon the winding up and dissolution of this Corporation, its assets remaining, after payment or adequate provision for payment of all debts and obligations of this Corporation, shall be distributed in accordance with the dissolution provisions set forth in this Corporation's Articles of Incorporation.

Section 9.7 Fiscal Year. The fiscal year of this Corporation shall begin on the first day of July each year and end on June 30th of the following year.

Section 9.8 Review of Bylaws. At least once every two (2) years, the Board of Directors shall review these Bylaws and recommend changes.

## ARTICLE X

### INDEMNIFICATION AND INSURANCE

Section 10.1 Indemnification. To the full extent permitted by law and in the manner provided by law, this Corporation may, and if the law requires it shall, indemnify against liability and hold harmless any person who was or is a party to or is threatened to be a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a Director, officer, employee or agent of this Corporation when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise. The foregoing rights of indemnification shall not be deemed to be exclusive of any other rights to which such person may be entitled under applicable law, and shall continue as to a person who has ceased to be a Director, officer, employee, or agent of this Corporation and shall inure to the benefit of the estate, executors, administrators, heirs, legatees or devisees of any such person to the extent such action, suit or proceeding survives the death of such person.

Section 10.2 Payment of Expenses. This Corporation may pay expenses, including attorneys' fees, incurred in defending any action, suit or proceeding referred to in this Article in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case and as permitted by law.

Section 10.3 Insurance. This Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of this Corporation

when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise, against any claim or liability asserted against such person and incurred in any such capacity, or arising out of such person's status as such, whether or not this Corporation would be required or would have the power to indemnify such person against such liability under this Article or otherwise.

## ARTICLE XI

### MAINTAINING A UNIFIED HEALTH SYSTEM

Section 11.1 Generally. In order to establish the relationships among organizations in the Health System which are necessary to maintain a unified system, this Corporation shall require that the governing document or documents of any entity of which this Corporation is the sole corporate member or controlling organization contain the following:

- A. Provisions which reserve to this Corporation the powers over such entity, as may be required by applicable Health System policies;
- B. Provisions which reserve to such entity powers over organizations it controls, as may be required by applicable Health System policies; and
- C. Provisions which require such entity to require that the governing document or documents of organizations it controls contain a provision which reserves to this Corporation, the powers set forth in these Bylaws, the governing document or documents of such entity or applicable Health System policies (including the System Authority Matrix). The term "governing document or documents," is used in this Article as a generic form to describe the organizational documents by which an entity is legally formed in a particular state and includes, but is not limited to, articles of incorporation, bylaws, governing resolutions, articles of partnership, joint venture agreements, and any other document which creates or governs the organization or entity.

Section 11.2 Exercise of Reserved Powers. All action by this Corporation as the corporate member or controlling entity of an Affiliate shall be by this Corporation's Board of Directors.

## ARTICLE XII

### GENDER AND NUMBER

Words used herein regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

## ARTICLE XIII

### AMENDMENTS

These Bylaws or any part thereof may be amended or repealed or new Bylaws may be adopted by the affirmative vote of a majority of the Directors then in office.

**Conditions to Change in Control and Governance of Seton Medical Center<sup>1</sup> and Seton Coastside<sup>2</sup> and Approval of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Certain Funds Managed by BlueMountain Capital Management, LLC<sup>3</sup>, and Integrity Healthcare, LLC**

**I.**

These Conditions shall be legally binding on Daughters of Charity Ministry Services Corporation, a California nonprofit religious corporation, Daughters of Charity Health System, a California nonprofit religious corporation, Verity Health System of California, Inc., a California nonprofit public benefit corporation, St. Vincent Medical Center, a California nonprofit religious corporation, St. Francis Medical Center, a California nonprofit religious corporation, O'Connor Hospital, a California nonprofit religious corporation, Saint Louise Regional Hospital, a California nonprofit religious corporation, and Seton Medical Center, a California nonprofit religious corporation, St. Francis Medical Center of Lynwood Foundation, a California nonprofit religious corporation, St. Vincent Foundation, a California nonprofit religious corporation, Seton Medical Center Foundation, a California nonprofit religious corporation, O'Connor Hospital Foundation, a California nonprofit religious corporation, Saint Louise Regional Hospital Foundation, a California nonprofit religious corporation, Caritas Business Services, a California nonprofit religious corporation, Verity Business Services, a California nonprofit public benefit

---

<sup>1</sup> Throughout this document, the term "Seton Medical Center" shall mean the general acute care hospital located at 1900 Sullivan Ave., Daly City, CA 94015, and any other clinics, laboratories, units, services, or beds included on the license issued to Seton Medical Center by the California Department of Public Health, effective January 1, 2015, unless otherwise indicated.

<sup>2</sup> Throughout this document, the term "Seton Coastside" shall mean the skilled nursing facility with 5 general acute care beds located at 600 Marine Boulevard, Moss Beach, CA 94038-9641, and any other clinics, laboratories, units, services, or beds included on the license issued to Seton Medical Center by the California Department of Public Health, effective January 1, 2015, unless otherwise indicated.

<sup>3</sup> The term "Certain Funds Managed by BlueMountain Capital Management, LLC" shall mean the following: BlueMountain Guadalupe Peak Fund, L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Summit Opportunities Fund II (US) L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BMSB L.P., a Delaware limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Foinaven Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, BlueMountain Logan Opportunities Master Fund L.P., a Cayman Island exempted limited partnership, by BlueMountain Capital Management, LLC, its investment manager, and BlueMountain Monteners Master Fund SCA SICAV-SIF, a Luxembourg corporate partnership limited by shares, by BlueMountain Capital Management, LLC, its investment manager.

corporation, DCHS Medical Foundation, a California nonprofit religious corporation, Verity Medical Foundation, a California nonprofit public benefit corporation, St. Vincent de Paul Ethics Corporation, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Marillac Insurance Company, Ltd., a Cayman Islands corporation, DePaul Ventures, LLC, a California limited liability company, DePaul Ventures – San Jose ASC, LLC, a California limited liability company, DePaul Ventures – San Jose Dialysis, LLC, a California limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, the above-listed entities whose corporate status will be changed from a California nonprofit religious corporation to a California nonprofit public benefit corporation, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Seton Medical Center and Seton Coastside, or the real property on which Seton Medical Center and Seton Coastside are located, any and all current and future owners, lessees, licensees, or operators of Seton Medical Center and Seton Coastside, and any and all current and future lessees and owners of the real property on which Seton Medical Center and Seton Coastside are located.

These Conditions shall be legally binding on the following entities, as defined in Operating Asset Purchase Option Agreement, Operating Asset Purchase Agreement, Real Estate Purchase Option Agreement, and the Real Estate Purchase Agreement, when the closing occurs on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement: the Option Holders, Purchaser and its Affiliates, “OpCo” a Delaware limited liability company, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, and “PropCo” a Delaware limited liability company that will elect to be treated for tax purposes as a real estate investment trust, owned directly or indirectly by funds managed by BlueMountain Capital Management LLC, Integrity Healthcare, LLC, a Delaware limited liability company, Integrity Healthcare Blocker, LLC, a Delaware limited liability company, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, managing member, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Seton Medical Center and Seton Coastside, or the real property on which Seton Medical Center and Seton Coastside is located, any and all current and future owners, lessees, licensees, or operators of Seton Medical Center and Seton Coastside, and any and all current and future lessees and owners of the real property on which Seton Medical Center and Seton Coastside is located.

## II.

The transaction approved by the Attorney General consists of the System Restructuring and Support Agreement dated July 17, 2015, Amendment No. 1 to System Restructuring and Support Agreement, and any agreements or documents referenced in or attached to as an exhibit or schedule and any other documents referenced in the System Restructuring and Support

Agreement and Amendment No. 1 to System Restructuring and Support Agreement including, but not limited to:

- a. Transitional Consulting Services Agreement dated July 17, 2015;
- b. Health System Management Agreement with Integrity Healthcare, LLC;
- c. Debt Facility Commitment Letter dated July 17, 2015, signed by all the funds listed in footnote 2 and BlueMeridian Capital, LLC;
- d. Operating Asset Purchase Option Agreement;
- e. Operating Asset Purchase Agreement;
- f. Real Estate Purchase Option Agreement;
- g. Real Estate Purchase Agreement;
- f. Information Technology Lease Agreement; and
- g. Deposit Escrow Agreement dated July 17, 2015.

All the entities listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the above agreements shall fulfill the terms of these agreements or documents and shall notify and obtain the Attorney General's approval in writing of any proposed modification or rescission of any of the terms of these agreements or documents. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General's approval.

### III.

For fifteen years from the closing date of the System Restructuring and Support Agreement, Seton Medical Center and Seton Coastside and all future owners, managers, lessees, licensees, or operators of Seton Medical Center and Seton Coastside shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

(a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Seton Medical Center or Seton Coastside;

(b) Transfer control, responsibility, management, or governance of Seton Medical Center or Seton Coastside. The substitution or addition of a new corporate member or members of Seton Medical Center, Seton Coastside, or Verity Health System of California, Inc. that transfers the control of, responsibility for or governance of Seton Medical Center or Seton Coastside, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing bodies of Seton Medical Center, Seton Coastside, or Verity Health System of California, Inc., or any arrangement, written or oral, that would transfer voting control of the members of the governing bodies of Seton Medical Center, Seton Coastside, or Verity Health System of California, Inc., shall also be deemed a transfer for purposes of this Condition.



#### IV.

For ten years from the closing date of the Definitive Agreement, Seton Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain, provide, and expand the following healthcare services at current<sup>4</sup> licensure and designation with the same types and/or levels of services:

- a. 24-hour emergency medical services, including a minimum of 18 emergency treatment stations;
- b. Cardiac services, including the 2 cardiac catheterization labs, including the designation as a STEMI Receiving Center;
- c. Intensive care and coronary care services, including a minimum of 20 intensive care and coronary care beds;
- d. Advanced certification as a Primary Stroke Center;
- e. Women's health services, Seton Breast Health Center, and women's imaging and mammography services; and
- f. Sub-acute services, including a minimum of 44 sub-acute beds and Medi-Cal Certification and Joint Commission Accreditation as a sub-acute unit.

Seton Medical Center shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

#### V.

If Seton Medical Center provides obstetrical services within ten years from the closing date of the System Restructuring and Support Agreement, Seton Medical Center shall also provide reproductive health services including such services prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops.

#### VI.

For at least five years from the closing date of the System Restructuring and Support Agreement, Seton Medical Center shall maintain and provide the following services at current licensure, types, and/or levels of services:

- a. Gastroenterology services, including enteroscopy, endoscopy, and colonoscopy services;
- b. Cancer services, including inpatient oncology unit, interventional radiology, radiation therapy, and infusion services;
- c. Orthopedics and rehabilitation services, including joint replacement and spine care services;
- d. Diabetes services, including Northern California Diabetes Institute;

---

<sup>4</sup> The term "current" or "currently" throughout this document means as of January 1, 2014.

- e. Wound care services, including Seton Center for Advanced Wound Care; and
- f. Nephrology services, including inpatient and outpatient dialysis services.

Seton Medical Center shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

## VII.

For at least ten years from the closing date of the Definitive Agreement, Seton Coastside shall maintain and provide the following services at current licensure, types, and/or levels of services at Seton Coastside:

- a. 24-hour “standby” emergency services, with a minimum of 7 treatment stations; and
- b. Skilled nursing services, including a minimum of 116 licensed skilled nursing beds.

## VIII.

For ten years from the closing date of the System Restructuring and Support Agreement, Seton Medical Center and Seton Coastside shall:

- a) Be certified to participate in the Medi-Cal program;
- b) Maintain and have a Medi-Cal Managed Care contract with San Mateo Health Commission dba Health Plan of San Mateo or its successor to provide the same types and levels of emergency and non-emergency services at Seton Medical Center and Seton Coastside to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause.

If Seton Medical Center or Seton Coastside questions whether it is being reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the Attorney General’s Office with at least 120 days’ notice prior to taking any action that would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.

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

## IX.

For six fiscal years from the closing date of the System Restructuring and Support Agreement, Seton Medical Center, Seton Coastside shall provide an annual amount of Charity Care (as defined below) at Seton Medical Center and Seton Coastside equal to or greater than \$1,721,301 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Seton Medical Center and Seton Coastside in connection with the operation and provision of services at Seton Medical Center and Seton Coastside. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>5</sup> Seton Medical Center and Seton Coastside shall use and maintain a charity care policy that is no less favorable than Seton Medical Center's and Seton Coastside's current charity care policy and in compliance with California and Federal law. The planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at Seton Medical Center and Seton Coastside shall be decided by the Seton Medical Center and Seton Coastside Board(s) of Directors after consultation with the Local Governing Board(s) of Directors as set forth in Condition XIII.

Seton Medical Center's and Seton Coastside's obligation under this Condition shall be prorated on a daily basis if the closing date of the System Restructuring and Support Agreement is a date other than the first day of Seton Medical Center's and Seton Coastside's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-San Jose, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (as published by the U.S. Bureau of Labor Statistics).

While the Health System Management Agreement with Integrity Healthcare, LLC is in effect, if the actual amount of charity care provided at Seton Medical Center and Seton Coastside for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Seton Medical Center and Seton Coastside shall pay an amount equal to the deficiency as follows: 50% of the deficiency payment as a contribution to the Daughters of Charity Health System Retirement Plan (Defined Benefit Church Plan), as defined in the System Restructuring and Support Agreement, in addition to the contributions that are required by the amortization schedule and premium payments required under Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 (as amended), as set forth in section 7.3 in the System Restructuring and Support Agreement until the Defined Benefit Church Plan is fully funded, and 50% of the deficiency

---

<sup>5</sup> OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as . . . charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

payment for capital expenditures as set forth in section 7.7 of the System Restructuring and Support Agreement for repairing and/or upgrading the hospital buildings and equipment including, but not limited to, seismic compliance as required in Condition XVII. Such payments shall be made within four months following the end of such fiscal year.

After the closing date on the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, if the actual amount of charity care provided at Seton Medical Center and Seton Coastsides for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Seton Medical Center and Seton Coastsides shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide direct health care services to residents in Seton Medical Center's and Seton Coastsides's service area (14 ZIP codes), as defined on page 65 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment(s) shall be made within four months following the end of such fiscal year.

The 2010 Federal Affordable Care Act may cause a reduction in future needs of charity care. Because of the impact of the Medi-Cal expansion in California and other effects from the 2010 Federal Affordable Care Act, the California Attorney General will consider adjusting the Minimum Charity Care Amount based on financial data submitted to OSHPD from time periods after implementation of the 2010 Federal Affordable Care Act. Any actual reduction will be considered "unforeseen" for purposes of Title 11, California Code of Regulations, section 999.5, subdivision (h). Once Seton Medical Center and Seton Coastsides submit their Annual Financial Disclosure Report to OSHPD for Fiscal Year 7/1/2015 to 6/30/2016, they may seek a request for an amendment of the Minimum Charity Care Amount beginning for Fiscal Year 7/1/2016 to 6/30/2017. The Attorney General's Decision on such a request will be issued within 90 days of the submission of all of the information required in Title 11, California Code of Regulations, section 999.5, subdivision (h)(2) and all the information requested by the Attorney General's Office.

## X.

For six fiscal years from the closing date of the System Restructuring and Support Agreement, Seton Medical Center and Seton Coastsides shall provide an annual amount of Community Benefit Services at Seton Medical Center and Seton Coastsides equal to or greater than \$794,324 (the "Minimum Community Benefit Services Amount") exclusive of any funds from grants. For six fiscal years, the following community benefit programs and services shall continue to be offered:

- a. Health Benefits Resource Center; and
- b. RotaCare Clinic.

The planning of, and any subsequent changes to, the community benefit services provided at Seton Medical Center and Seton Coastsides shall be decided upon by the Seton Medical Center's and Seton Coastsides's Board(s) of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XIII.

Seton Medical Center's and Seton Coastside's obligation under this Condition shall be prorated on a daily basis if the effective date of the System Restructuring and Support Agreement is a date other than the first day of Seton Medical Center's and Seton Coastside's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-San Jose, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Seton Medical Center and Seton Coastside for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Seton Medical Center and Seton Coastside shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Seton Medical Center's and Seton Coastside's service area (14 ZIP codes), as defined on page 65 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

## XI.

For at least five years from the closing date of the System Restructuring and Support Agreement unless otherwise indicated, Seton Medical Center and Seton Coastside shall maintain its contracts and any amendments and exhibits thereto with the County of San Mateo for services, including the following:

- a) Data Usage Agreements between San Mateo County and Seton Medical Center;
- b) Patient Transfer Agreement between San Mateo County Medical Center and Seton Medical Center;
- c) Agreement dated July 2013 (effective October 1, 2013) whereby the County of San Mateo agrees to provide financial support for Seton Medical Center in exchange for Seton Medical Center's agreement to maintain its role as a safety net provider in San Mateo County, unless otherwise terminated earlier by the County of San Mateo;
- d) San Mateo ACE Program Hospital Agreement; and
- e) Agreements with Local Hospitals and Healthcare Facilities Participating in the National Bioterrorism Hospital Preparedness Program Grant.

## XII.

Verity Medical Foundation shall continue to fulfill the terms of the following agreements and addendums thereto:

- a. Medi-Cal Medical Services Agreement Between San Mateo Health Commission and Referral Provider dated May 2014;
- b. Care Advantage Medical Services Agreement Between San Mateo Health Commission and Primary Care Physician dated July 2014;
- c. Medi-Cal Medical Services Agreement Between San Mateo Health Commission and Primary Care Physician dated July 2014;
- d. Healthworx Medical Services Agreement Between San Mateo Community Health Authority and Primary Care Physician dated July 2014;
- e. Healthworx Medical Services Agreement between San Mateo Community Health Authority and Referral Provider dated June 2014; and
- f. Care Advantage Medical Services Agreement Between San Mateo Health Commission and Referral Provider dated August 2014.

## XIII.

For ten years from the closing date of the System Restructuring and Support Agreement, Seton Medical Center and Seton Coastside shall have a Local Governing Board(s) of Directors. Seton Medical Center's and Seton Coastside's Board(s) of Directors shall consult with the Local Governing Board(s) of Directors prior to making changes to medical services, community benefit programs, making capital expenditures including the spending of the funds for the "Capital Commitment" set forth in section 7.7 of the System Restructuring and Support Agreement and attached hereto as Exhibit 2, making changes to the charity care and collection policies, and making changes to charity care services provided at Seton Medical Center and Seton Coastside. The members of the Local Governing Board(s) shall include physicians from Seton Medical Center's and Seton Coastside's medical staff, Seton Medical Center's and Seton Coastside's Chief(s) of Staff, one member designated by the San Mateo County Board of Supervisors, and community representatives from Seton Medical Center's and Seton Coastside's service area (14 ZIP codes), as defined on page 65 of the Health Care Impact Report, dated October 2, 2015, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Local Governing Board(s)'s approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

#### XIV.

Verity Health System of California, Inc. shall reserve or expend the \$180 million capital commitment set forth in section 7.7 of the System Restructuring and Support Agreement and attached hereto as Exhibit 2.

#### XV.

Verity Health System of California, Inc. shall comply with the pension obligations set forth in section 7.3 of the System Restructuring and Support Agreement. Section 7.3 of the System Restructuring and Support Agreement should be amended to include the following language:

(f) Notwithstanding any limitations set forth in the documents governing the Defined Benefit Church Plan, the Defined Contribution Church Plans, and the Multiemployer Plans, the participants of these plans have the legal right to enforce compliance of Section 7.3 against Verity Health System of California, Inc.

#### XVI.

Seton Medical Center and Seton Coastside shall maintain privileges for current medical staff who are in good standing as of the closing date of the System Restructuring and Support Agreement. Further, the closing of the System Restructuring and Support Agreement shall not change the medical staff officers, committee chairs, or independence of the Seton Medical Center's and Seton Coastside's medical staff, and such persons shall remain in good standing for the remainder of their tenure.

#### XVII.

Verity Health System of California, Inc. shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Seton Medical Center and Seton Coastside through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070) including, but not limited to, a) construction of, completion of, and obtaining a Certificate of Occupancy by July 1, 2019 for a new Patient Tower at Seton Medical Center, with at least 104 beds for general acute care, perinatal care, and intensive care services, with at least 12 critical care beds and 8 perinatal beds, or b) retrofitting of and obtaining a Construction Final by July 1, 2019 for Seton Medical Center's current Patient Tower.

For building a new Patient Tower, Verity Health System of California, Inc. shall submit Construction Documents to OSHPD by September 30, 2016, shall obtain a building permit from OSHPD by September 30, 2017, and shall obtain a Certificate of Occupancy from OSHPD by July 1, 2019.

For retrofitting Seton Medical Center's current Patient Tower, Verity Health System of California, Inc. shall submit Construction Documents to OSHPD by September 30, 2016, shall obtain a building permit for retrofitting Seton Medical Center's current Patient Tower from

OSHPD by September 30, 2017, and shall obtain a Construction Final from OSHPD by July 1, 2019.

### XVIII.

Within sixty days of the closing date of the System Restructuring and Support Agreement, Seton Medical Center's and Seton Coastsides Board(s) of Trustees shall replace Article of IV, Section 3, subsection (a) of its Amended and Restated Bylaws Template (attached hereto as Exhibit 3) with the following language:

(a) Number and Composition. The Boards of Trustees shall generally consist of not less than five (5) nor more than seventeen (17) members, including:

i) no more than 50 percent shall be members who are in good standing on the Board of Directors of Verity Health System of California, Inc.;

ii) at least one-third shall be residents of San Mateo County; and

iii) no members shall have either directly or indirectly, personally or through a family member have any financial relationship with BlueMountain Capital Management, LLC or any of its owned or managed affiliates or Integrity Healthcare, LLC, and may not serve as an officer, director, contractor or employee of BlueMountain Capital Management, LLC or any of its owned or managed affiliates, or Integrity Healthcare, LLC, any managed fund, or entity in which BlueMountain Capital Management, LLC has an equity stake or option to purchase, except for public companies wherein BlueMountain Capital Management, LLC has an interest of less than 10%.

Seton Medical Center's and Seton Coastsides Board(s) of Trustees shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Articles Template as Exhibit 4) and Amended and Restated Bylaws within 90 days from the closing date of the System Restructuring and Support Agreement requiring these provisions and any further changes to these documents must be approved by the Attorney General.

Within sixty days of the closing date of the System Restructuring and Support Agreement, Verity Health System of California, Inc. shall adopt the same Conflict of Interest Policy currently used by Daughters of Charity Health System and its affiliates (attached hereto as Exhibit 5) except that all references to the "Corporation" in the Conflict of Interest Policy shall be amended to "Corporation or BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC" and a portion of its "Financial Interest" definition section on page 2 shall be amended to state as follows:

4. **Financial Interest:** A Director or Family member has, directly or indirectly, a current or potential

- Ownership or investment interest in; or



- Compensation arrangement with; or
- Other economic interest in any of the following:
  - i. The Corporation; or
  - ii. BlueMountain Capital Management, LLC and or any of its owned or managed affiliates and Integrity Healthcare, LLC; or
  - iii. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC has a transaction or arrangement; or
  - iv. Any entity or individual with which the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC is negotiating a transaction or arrangement; or
  - v. Any entity or individual that competes with the Corporation, BlueMountain Capital Management, LLC and or any of its owned or managed affiliates, or Integrity Healthcare, LLC.

Verity Health System of California, Inc. Board of Trustees shall provide a copy of its Conflict of Interest Policy within 90 days from the closing date of the System Restructuring and Support Agreement requiring this amendment and any further changes to this document must be approved by the Attorney General.

Verity Health System of California, Inc. shall provide a copy of its Amended and Restated Articles of Incorporation (as set forth in attached Amended and Restated Articles Template as Exhibit 6) and the Amended and Restated Bylaws (as set forth in the attached hereto Amended and Restated Bylaws Template as Exhibit 7) within 90 days from the closing date of the System Restructuring and Support Agreement and any further changes to these documents must be approved by the Attorney General.

If either the Verity Health System of California, Inc.'s Board of Directors or Seton Medical Center's and Seton Coastside's Board(s) of Trustees provides board compensation to its members other than reimbursement for travel to and from board/trustees' meetings, it is required to obtain an fair market valuation for payment of such compensation for similarly-situated board of directors/trustees in the United States every two years.

## XIX.

There shall be no restriction or limitation on providing or making reproductive health services, including such services prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops, available at Seton Medical Center and Seton Coastside, its medical office buildings, or at any of its facilities. There shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at Seton Medical Center and Seton Coastside. Both of these must be explicitly set forth in Seton Medical Center's and Seton Coastside's written policies, adhered to, and strictly enforced.

## XX.

At least thirty days prior to the closing of the Operating Asset Purchase Agreement and the Real Estate Purchase Agreement, Seton Medical Center Foundation shall provide to the Attorney General's Office an accounting of all charitable assets. Within 5 days of the Attorney General's approval, Seton Medical Center Foundation shall transfer all charitable assets including, but not limited to, all temporary and permanently restricted funds to the California Community Foundation.

- a) The funds from Seton Medical Center Foundation, if not previously restricted to support a specific charitable organization, will be deposited into the California Community Foundation's Seton Medical Center Fund, and used to support nonprofit tax-exempt charitable organizations, clinics and facilities in providing healthcare services to residents of Seton Medical Center's and Seton Coastside's service area (14 ZIP codes), as described on page 65 in the Healthcare Impact Report authored by Medical Development Specialists, LLC, dated October 2, 2015. (Exhibit 1.) The donated funds shall be maintained and used for the purposes specified herein for a period of at least five years.
- b) If there are funds from Seton Medical Center Foundation previously restricted to support a specific charitable organization, such funds shall be deposited into a fund or funds at California Community Foundation restricted to continuing support for such charitable organization or organizations. Such funds are protected against obsolescence. If the purposes of any restricted fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by California Community Foundation, California Community Foundation's Board of Directors shall have the ability to modify any restriction or condition on the use such fund.

## XXI.

For eleven fiscal years from the closing date of the System Restructuring and Support Agreement, Seton Medical Center and Seton Coastside shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman(s) of the Board(s) of Directors of Seton Medical Center and Seton Coastside and the Chief Executive Officer(s) at Seton Medical Center and Seton Coastside shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the Seton Medical Center's and Seton Coastside's Board(s) of Directors and the Local Governing Board(s).

## **XXII.**

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

## **XXIII.**

Once the System Restructuring and Support Agreement is closed, all parties listed in Condition I, Integrity Healthcare, LLC, a Delaware limited liability company, BlueMountain Capital Management, LLC, a Delaware limited liability company, and any other parties referenced in the agreements listed in Condition II are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

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

# **EXHIBIT 1**

## ANALYSIS OF THE HOSPITAL'S SERVICE AREA

### *Service Area Definition*

The Hospital's service area is comprised of 14 ZIP Codes, from which approximately 83% of its discharges originated in 2014. Approximately 67% of the Hospital's discharges came from the top four ZIP Codes, located in Daly City, South San Francisco, and Pacifica. In 2014, the Hospital's market share in the service area was 16% based on inpatient discharges.

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: 2014						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
94015	Daly City	1,675	25.1%	25.1%	4,508	37.2%
94014	Daly City	1,061	15.9%	41.0%	3,254	32.6%
94080	South San Francisco	991	14.9%	55.9%	5,118	19.4%
94044	Pacifica	714	10.7%	66.6%	2,996	23.8%
94066	San Bruno	339	5.1%	71.6%	3,503	9.7%
94112	San Francisco	305	4.6%	76.2%	6,765	4.5%
94134	San Francisco	128	1.9%	78.1%	3,692	3.5%
94132	San Francisco	116	1.7%	79.9%	1,850	6.3%
94019	Half Moon Bay	61	0.9%	80.8%	1,115	5.5%
94005	Brisbane	38	0.6%	81.4%	343	11.1%
94038	Moss Beach	34	0.5%	81.9%	243	14.0%
94018	El Granada	19	0.3%	82.1%	230	8.3%
94037	Montara	13	0.2%	82.3%	165	7.9%
94017	Daly City	10	0.1%	82.5%	47	21.3%
<b>Subtotal</b>		<b>5,504</b>	<b>82.5%</b>	<b>82.5%</b>	<b>33,829</b>	<b>16.3%</b>
Other ZIPs		1,168	17.5%	100%		
<b>Total</b>		<b>6,672</b>	<b>100.0%</b>			

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

## **EXHIBIT 2**

No such patient shall be turned away because of age, race, religion, gender, sexual orientation, payment source or inability to pay.

(c) For a period of not less than five (5) years following the Effective Time, Integrity acknowledges that DCHS will maintain the existing chapels at the Hospitals to be used for the celebration of Catholic mass and other religious services, and provide an appropriately staffed and funded pastoral care service at the Hospitals.

7.7 Capital Commitment. After the Closing, DCHS shall reserve or expend the following amounts for capital expenditures in each of the successive five (5) years immediately following the Closing Date: \$40,000,000.00 in each of the first three (3) years immediately following the Closing Date, and \$30,000,000.00 in each of years 4 and 5 immediately following the Closing Date. Notwithstanding the preceding sentence, in the event that within the first five years post-Closing, one or more of the Hospitals is sold or otherwise disassociated from DCHS, any remaining annual Capital Commitments of the remaining DCHS thereafter as set forth above, shall be reduced pro-rata based on the net revenue for such sold or disassociated Hospital(s) as included in the most recently completed audited income statement.

7.8 Intellectual Property.

(a) Except as permitted under Section 6.13 of this Agreement, Integrity hereby covenants and agrees not to use the Hospital Trademarks in any manner or in any medium or form that includes or incorporates any Retained Marks (including, without limitation, the DCHS Names). Integrity further hereby covenants and agrees that all marketing and advertising using the Hospital Trademarks after the Effective Time will be in a form that integrates the use of the name "Integrity Health System, Inc." or similar branding in connection with the use of such Hospital Trademarks in such marketing or advertising materials.

(b) Except as permitted under Section 6.13, Integrity covenants not to use the Retained Marks or any marks or domain names that are confusingly similar to the Retained Marks, or any other Retained IP, in any manner and in any medium.

(c) Except as permitted under Section 6.13, Integrity shall, as of the Effective Time, (i) discontinue the use of all corporate and trade names, letterhead and business cards that contain any Retained Marks (including, without limitation, the DCHS Names), (ii) use commercially reasonable efforts to file appropriate name change amendments with the California Secretary of State, (iii) use commercially reasonable efforts to promptly replace or modify all exterior and interior fixtures that contain or comprise building signs to remove completely any Retained Marks (including, without limitation, the DCHS Names), and (iv) shall not subsequently change such names to (or otherwise use or employ) any names which contain any Retained Marks (including, without limitation, the DCHS Names).

7.9 Actions Related to Legal Opinion from Bond Counsel. BlueMountain agrees to cooperate with and provide Orrick, Herrington & Sutcliffe LLP ("*Orrick*") with all requested documentation in order to complete the opinion described in Section 8.9, including a 501(c)(3) opinion from a firm acceptable to Orrick, and BlueMountain shall obtain any valuations

## **EXHIBIT 3**



*DRAFT TEMPLATE*

***TEMPLATE FOR DIRECT HOSPITAL OR MEDICAL CENTER SUBSIDIARIES OF  
VERITY HEALTH SYSTEM, INC.***

**AMENDED AND RESTATED**

**BYLAWS OF**

**[NAME]**

**[HOSPITAL][MEDICAL CENTER]**

Adopted \_\_\_\_\_, 2015

Table Of Contents

	Page(s)
ARTICLE I NAME.....	1
ARTICLE II DEFINITIONS .....	1
ARTICLE III PURPOSES.....	2
ARTICLE IV OFFICES AND SEAL.....	2
ARTICLE V CORPORATE MEMBERSHIP .....	2
ARTICLE VI BOARD OF DIRECTORS .....	4
ARTICLE VII MEETINGS OF THE BOARD OF DIRECTORS.....	7
ARTICLE VIII CORPORATE OFFICERS .....	9
ARTICLE IX COMMITTEES .....	10
ARTICLE X MEDICAL STAFF.....	12
ARTICLE XI GENERAL PROVISIONS .....	18
ARTICLE XII INDEMNIFICATION AND INSURANCE.....	19
ARTICLE XIII MAINTAINING A UNIFIED HEALTH SYSTEM.....	20
ARTICLE XIV GENDER AND NUMBER.....	21
ARTICLE XV AMENDMENTS.....	18

AMENDED AND RESTATED  
BYLAWS OF  
[NAME]  
[HOSPITAL][MEDICAL CENTER]  
ARTICLE I  
NAME

The name of this Corporation shall be as set forth in its Articles of Incorporation.

ARTICLE II  
DEFINITIONS

Section 1. Definitions. These Bylaws contain the terms “Affiliate” and “Health System.” These terms are also used in the bylaws of other entities comprising the Health System. For purposes of continuity, when used in these Bylaws, such terms shall be interpreted to give full effect to the intent of Article XIII of these Bylaws.

(a) Affiliate. The term “Affiliate” shall mean, individually, each organization that is controlled, directly or indirectly, by Verity Health System of California, Inc., a California nonprofit public benefit corporation (“Verity”), or by another organization controlled by Verity. As used in this definition, “control” shall mean (a) the status of sole corporate member of an organization; or (b) the authority to appoint, elect or approve at least a majority of the governing body of an organization.

(b) Corporate Member. The term “Corporate Member” shall mean Verity.

(c) Corporation. The term “Corporation” shall mean [NAME] Medical Center.

(d) Health System. The term “Health System” shall mean, collectively, Verity, this Corporation and the Affiliates of Verity and the Corporation.

(e) Subsidiary. “Subsidiary” shall mean an Affiliate that is under the direct control of another Affiliate.

(f) System Authority Matrix. The term “System Authority Matrix” shall mean the document as in effect from time to time which sets forth the respective responsibilities and authorities for Health System operations and decision making.

Section 2. Other Capitalized Terms. Capitalized terms used in these Bylaws and not otherwise defined herein are used herein with the meanings given them in the California Nonprofit Corporation Law.

### ARTICLE III

#### PURPOSES

Section 1. Purposes. The purposes of this Corporation are set out in its Articles of Incorporation as in effect from time to time.

### ARTICLE IV

#### OFFICES AND SEAL

Section 1. Principal Office. The principal office of this Corporation shall be in the County of [County], State of California.

Section 2. Seal. This Corporation may have a common seal inscribed with the name of this Corporation.

### ARTICLE V

#### CORPORATE MEMBERSHIP

Section 1. Corporate Membership. The sole member of this Corporation is Verity, acting through its Board of Directors or otherwise as provided in Article XIII, Section 2 of these Bylaws or the California Nonprofit Corporation Law.

Section 2. Rights and Powers of the Corporate Member. As the sole member of this Corporation under the California Nonprofit Corporation Law, the Corporate Member has all corresponding statutory rights and powers of membership. In addition, the Corporate Member has the power (which are termed the "Reserved Powers" of the Corporate Member) to take or approve the following actions:

- (a) Approve or change the mission, role and purpose of this Corporation;
- (b) Amend the Bylaws and Articles of Incorporation of this Corporation;
- (c) Authorize the Board of Directors to amend the bylaws, articles of incorporation or other organizational documents of any Affiliate;
- (d) Approve the formation, merger, dissolution, consolidation, divestiture, closure, change in corporate membership or control and reorganization of each direct Affiliate of this Corporation;
- (e) Fix the number and appoint and remove the Directors of this Corporation;

(f) Appoint and remove the Chairperson of the Board and the President and Chief Executive Officer of this Corporation and of each direct Affiliate or Subsidiary of this Corporation;

(g) Approve the merger, consolidation, reorganization or dissolution of this Corporation and the disposition of the assets of this Corporation upon dissolution;

(h) Approve the acquisition, sale, lease, mortgage, transfer or other alienation of real or personal property of this Corporation other than in accordance with the System Authority Matrix;

(i) Approve the capital and operating budgets of this Corporation or of any Affiliate controlled by this Corporation;

(j) Approve the incurrence of debt or guaranties of this Corporation other than in accordance with the System Authority Matrix;

(k) Establish policy concerning quality of care and services for the Corporation and to approve any such policies of this Corporation that are inconsistent with the System Authority Matrix;

(l) Establish policy and procedures concerning finance and resources for the Corporation and to approve any such policies or procedures that are inconsistent with such policies or procedures;

(m) Establish criteria for the long-range financial and strategic plans of the Corporation and to approve any such plans;

(n) Establish an internal auditing program and approve any material element of the internal auditing program for this Corporation that is inconsistent with the internal auditing program established by the Corporate Member;

(o) Approve capital expenditures by this Corporation or for any Affiliate controlled by this Corporation other than in accordance with the System Authority Matrix;

(p) Approve the transfer of funds, by gift or loan, between this Corporation and one or more other Affiliates of Verity and this Corporation or to any other person or entity other than in accordance with System Authority Matrix; and

(q) Approve any other action by this Corporation or for any Affiliate controlled by this Corporation that has been established by resolution of the Corporate Member as requiring its approval, including, but not limited to, any approvals of authority necessary to ensure compliance with any credit agreement, master indenture or loan agreement to which this Corporation or any Affiliate controlled by this Corporation is a party.

Section 3. Voting By Proxy. The Corporate Member may not vote by proxy.

Section 4. Appointment of Officer or Director or Others to Act on Behalf of Corporate Member. Subject to applicable law and the articles of incorporation and bylaws of the Corporate Member, the Corporate Member's board of directors may, by resolution, appoint one or more officers or directors of the Corporate Member or one or more other persons to act on its behalf, in its capacity as Corporate Member of this Corporation.

Section 5. Annual Meeting. A meeting of the Corporate Member shall be held annually for the purpose of appointing directors and to transact such other business as may be brought before such meeting. The annual meeting of the Corporate Member shall be held at such time and place as the board of directors of the Corporate Member determine from time to time.

Section 6. Action by Written Consent. Any action required or permitted to be taken at a meeting (whether annual, regular or special) by the Corporate Member under any provision of law, the Articles of Incorporation or these Bylaws may be taken without a meeting if the Corporate Member consents to such action in writing. Each such written consent shall be filed with the minutes of the proceedings of the Corporation. Such action by written consent shall have the same force and effect as a vote of the Corporate Member. Any certificate or other document filed on behalf of this Corporation relating to an action taken by the Corporate Member without a meeting shall state that the action was taken by written consent of the Corporate Member without a meeting and that the Bylaws of the Corporation authorize the Corporate Member to so act.

## ARTICLE VI

### BOARD OF DIRECTORS

Section 1. Powers. Subject to the provisions of this Corporation's Articles of Incorporation, these Bylaws, the Reserved Powers of the Corporate Member, the System Authority Matrix and the laws of the State of California, the activities and affairs of this Corporation shall be managed and conducted and all corporate powers shall be exercised by or under the direction of this Corporation's Board of Directors. To facilitate the management and conduct of this Corporation's activities and affairs, the Board of Directors shall establish corporate policies for, and formulate the basic rules and regulations governing the operation and management of, this Corporation and generally oversee and be responsible for the quality of care and the planning of services rendered by this Corporation. The Board of Directors may delegate the management and conduct of this Corporation's activities and affairs to any person or persons, management company, or committee however composed, provided that no delegation of authority by the Board of Directors to the Chief Executive Officer (as defined in Article VIII, Section 4 below), or anyone else, shall preclude the Board of Directors from exercising the authority required to meet its governance responsibility for the management and conduct of this Corporation's activities and affairs; and provided, further, that any delegation of powers of the Board may be made only to a committee of the Board consisting only of directors and shall be subject to the further limitations on Board committees set forth in Article IX, Section 1 of these Bylaws. The Board of Directors shall retain the right to rescind any such delegation.

Section 2. Reserved Powers of Verity as the Corporate Member; Final Action. Certain actions of the Board of Directors are subject to the Reserved Powers of Verity, acting in

its capacity as the Corporate Member of this Corporation, as set forth above in Article V of these Bylaws. Action by the Board of Directors of this Corporation that is subject to the approval of the Corporate Member pursuant to the Reserved Powers of the Corporate Member shall become final, binding action of the Corporation when such action has been approved or ratified by final action of the Corporate Member acting in accordance with these Bylaws and the bylaws of the Corporate Member.

Section 3. Number and Qualification.

(a) The Board of Directors shall consist of not less than three (3) nor more than seventeen (17) members, including at least one (1) person who is a member in good standing of the Board of Directors of Verity.

(b) The President and Chief Executive Officer of the Corporate Member shall serve as a member of the Board, *ex officio*.

(c) Restriction on Interested Directors. Not more than forty-nine percent (49%) of the persons serving on the Board of Directors at any time may be interested persons within the meaning of Section 5227 of the California Nonprofit Public Benefit Corporation Law. An interested person is (i) any person currently being compensated by this Corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor or otherwise, but excluding any reasonable compensation paid to a Director as Director; or (ii) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of any such person. However, any violation of the provision of this Section shall not affect the validity or enforceability of any transaction entered into by this Corporation.

Section 4. Appointment by Corporate Member. The Directors shall be appointed by Verity at each annual meeting of the Corporate Member.

Section 5. Term. Each Director (other than the President and Chief Executive Officer of the Corporate Member) shall hold office for a term of one (1) year or such other period set by the Corporate Member or until a successor is appointed and qualified or until such person sooner dies, resigns, is removed or becomes disqualified.

Section 6. Removal and Filling of Vacancies. The Board of Directors may declare vacant the office of a Director who has been declared of unsound mind by a final order of court or convicted of a felony or who has missed more than half of the meetings of the Board of Directors during any twelve-month period other than by reason of illness, or who has been found, by a final order or judgment of any court, to be in breach of any duty owed to the Corporation under Sections 5230-5239 of the California Nonprofit Public Benefit Corporation Law. In the event that such office is declared vacant, a new Director to fill the unexpired portion of the term of the Director whose office was declared vacant shall be appointed by the Corporate Member.

Section 7. Resignation. Any Director may resign at any time by delivering her or his resignation in writing to the Chairperson of the Board of Directors, the President or the Secretary or to the Board of Directors of the Corporation at its principal office; provided that, except upon

notice to the Attorney General, no director may resign if the Corporation would then be left without a duly elected Director or Directors in charge of its affairs. Such resignation shall be effective upon receipt unless specified to be effective at some other time.

Section 8. Fees and Compensation. Directors may receive such reasonable compensation (within the meaning of Internal Revenue Code Section 4958), if any, for serving as Director, and advances or reimbursement for reasonable expenses, as may be fixed or determined by the Corporate Member. Directors may receive compensation from the corporation for services rendered to it, subject to the restriction on interested Directors as set forth in Section 3(c) above of this Article VI.

Section 9. Self-Dealing Transactions. This Corporation shall not enter into self-dealing transactions. Except as provided in Section 9(a) of this Article VI, for the purpose of this Section, a self-dealing transaction means a transaction to which this corporation is a party and in which one or more of the members of its Board of Directors or officers has a material financial interest and which does not meet the requirements of Sections 9(b) or 9(c) of this Article VI. Such a member of the Board of Directors is an "interested director" for the purpose of this Section.

(a) Exceptions. The provisions of this section do not apply to any of the following:

(i) An action of the Board of Directors fixing the compensation of a member of the Board of Directors as an officer of this corporation.

(ii) A transaction which is part of a public or charitable program of this corporation if it (i) is approved or authorized by this corporation in good faith and without unjustified favoritism and (ii) results in a benefit to one or more members of the Board of Directors or their families because they are in the class of persons intended to be benefited by the public or charitable program.

(iii) A transaction, of which the interested director or directors have no actual knowledge, and which does not exceed the lesser of one percent of the gross receipts of this corporation for the preceding fiscal year or one hundred thousand dollars (\$100,000).

(b) Prior Board of Directors Approval. This Corporation may enter into a self-dealing transaction if all of the following facts are established:

(i) This Corporation entered into the transaction for its own benefit;

(ii) The transaction was fair and reasonable as to this Corporation at the time this Corporation entered into the transaction;

(iii) Prior to consummating the transaction or any part thereof the Board of Directors authorized or approved the transaction in good faith by a vote of a majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors, and with knowledge of the material facts concerning the transaction and the director's interest in the transaction. Interested directors may be counted in determining the



presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction. Except as provided in Section 9(c)(i) of this Article VI, action by a committee of the Board of Directors shall not satisfy this paragraph; and

(iv) Prior to authorizing or approving the transaction the Board of Directors considered and in good faith determined after reasonable investigation under the circumstances that this corporation could not have obtained a more advantageous arrangement with reasonable effort under the circumstances or (ii) this corporation in fact could not have obtained a more advantageous arrangement with reasonable effort under the circumstances.

(c) Subsequent Board of Directors Approval. This Corporation may enter into a self-dealing transaction if all of the following facts are established:

(i) A committee or person authorized by the Board of Directors approved the transaction in a manner consistent with the standards set forth in Section 9(b) of this Article VI;

(ii) It was not reasonably practicable to obtain approval of the Board of Directors prior to entering into the transaction; and

(iii) The Board of Directors, after determining in good faith that the conditions of subparagraphs (i) and (ii) of this subsection (c) were satisfied, ratified the transaction at its next meeting by a vote of the majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction.

## ARTICLE VII

### MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Place of Meeting. All meetings of the Board of Directors shall be held at the principal office of this Corporation or at such other place as may be designated for that purpose in the notice of the meeting or, if not stated in the notice or there is no notice, at such place as may be set by resolution of the Board.

Section 2. Annual Meeting. As soon as reasonably practicable, but no later than sixty (60) days after the annual meeting of the Corporate Member, the Board of Directors shall hold an annual meeting for the purpose of organizing the Board, electing the officers and the transaction of such other business as may come before the meeting. The date of the annual meeting shall be fixed by resolution. No notice of the annual meeting of the Board of Directors need be given.

Section 3. Regular Meetings. Regular meetings of the Board of Directors shall be held at such time as the Corporate Member may fix by resolution from time to time. No notice of regular meetings of the Board of Directors need be given.

Section 4. Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairperson of the Board or by two (2) or more Directors of this Corporation, or by the Corporate Member.

Section 5. Notice of Special Meetings. Notice of the time and place of special meetings shall be communicated personally or by telephone to each Director or sent to each Director by mail or other form of written communication (including e-mail), addressed to such Director at her or his address as it is shown on the records of this Corporation. Such notice, if mailed, shall be mailed at least seventy-two (72) hours prior to the time of the meeting, or if delivered personally, telephonically or telegraphically or by e-mail, shall be received at least forty-eight (48) hours prior to the time of the meeting.

Section 6. Waiver of Notice. Notice of a meeting need not be given to any Director who signs a waiver of notice or a written consent to hold the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 7. Quorum. At all meetings of the Board of Directors, a majority of the then serving Directors, but not less than two (2), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of the Directors present, whether or not a quorum, may adjourn any Directors meeting to another time and place. The act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, unless a greater number is required by law. Notwithstanding the previous provisions of this Section, the Directors present at a meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, so long as any action taken is approved by at least a majority of the required quorum for such meeting.

Section 8. Action Without Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all of the Directors individually or collectively shall consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as the unanimous vote of such Directors. Any certificate or other document filed on behalf of this Corporation relating to an action taken by the Board without a meeting shall state that the action was taken by written consent of the Board of Directors without a meeting and that the Bylaws of the Corporation authorize its Directors to so act.

Section 9. Telephonic Meeting. Directors may participate in a meeting of the Board through the use of conference telephone or similar communication equipment, as long as all Directors participating in such meeting can hear one another. Participation in this manner shall constitute presence in person at such meeting.

Section 10. Prohibition Against Voting by Proxy. Directors may not vote by proxy.

## ARTICLE VIII

### CORPORATE OFFICERS

#### Section 1. Officers.

(a) The officers of this Corporation shall include a Chairperson of the Board, a Vice Chairperson of the Board, a President and Chief Executive Officer ("CEO"), a Chief Financial Officer ("CFO"), a Secretary and a Chief Medical Officer ("CMO"), all of whom shall be selected in accordance with the provisions of this Article VIII. Neither the Chairperson of the Board nor the President/CEO may serve concurrently as the Secretary or CFO of this Corporation.

(b) The officers of this Corporation shall be appointed by the Corporate Member. Each shall hold office until her or his resignation or removal, other disqualification to serve or until her or his successor shall be elected and qualified.

(c) The Board of Directors may appoint such additional officers from among the members of the Board of Directors (including, for example, one (1) or more assistant Secretaries), as the business of this Corporation may require, each of whom shall serve for such period, have such authority and perform such duties as the Board of Directors from time to time may authorize.

Section 2. Removal of Officers. Any officer, other than the Chairperson of the Board, the President and CEO, the CFO and the CMO, may be removed, with or without cause, by a majority of Directors then in office, at any regular or special meeting of the Board. The Chairperson of the Board may be removed, with or without cause, only by the Corporate Member, and the President/CEO may be removed, with or without cause, only by the Corporate Member after consultation with the Board of Directors of this Corporation and the President/CEO of the Corporate Member. The CMO may be removed, with or without cause, only by the President/CEO of this Corporation with the concurrence of the President/CEO of the Corporate Member after consultation with the Board of Directors of this Corporation. The CFO may be removed, with or without cause, only by the President/CEO of this Corporation with the concurrence of the Chief Financial Officer of the Corporate Member after consultation with the Board of Directors of this Corporation. If a vacancy occurs in any office as a result of death, resignation, removal, disqualification or any other cause, the Board of Directors may delegate the powers and duties of such, office, except as otherwise provided in these Bylaws, to any officer or to any Director until such time as a successor for such office has been appointed. Any officer who is also a Director shall be automatically removed as such an officer upon her or his removal as a Director in accordance with the provisions of Article VI, Section 6 of these Bylaws.

Section 3. Chairperson of the Board. The Chairperson of the Board shall be appointed by the Corporate Member in connection with the appointment of the Directors. The Chairperson of the Board shall have the powers and duties usually associated with such office. The Chairperson of the Board shall preside over meetings of the Board of Directors, supervise activities of the Board, and serve as an ex officio voting member of all Board committees.

Section 4. President and Chief Executive Officer. The President/CEO shall be the chief executive officer of this Corporation, shall be an employee of Verity, and shall serve as a member of the Verity executive team. The President/CEO shall be appointed by the Corporate Member after consultation with this Corporation's Board of Directors and the President/CEO of the Corporate Member. He or she shall serve such term as may be determined by the Board of Directors. He or she shall report to and be accountable to this Corporation's Board of Directors and to the President/CEO of the Corporate Member and shall have general supervision, direction and control of the business, employees and independent contractors of this Corporation and shall be held responsible for the proper functioning and management of this Corporation. The President/CEO shall possess the degree of education and experience appropriate to the proper discharge of these responsibilities and, if a management or employment agreement may be in effect, meet all of the requirements set forth in the management or employment agreement. The President/CEO may sign, with the Secretary or any other officer of this Corporation as authorized by this Corporation's Board of Directors, any instrument which this Corporation's Board of Directors has authorized to be executed. The Chairperson of the Board of this Corporation and the President/CEO of the Corporate Member shall initiate and conduct periodic performance reviews of the President/CEO of this Corporation, taking into account the advice and comments of this Corporation's Board of Directors. Subject to the control of this Corporation's Board of Directors and the direction of the Corporate Member, the President/CEO shall organize the administrative functions of this Corporation, delegate duties and establish formal means of accountability on the part of her or his subordinate officers. The President/CEO shall have the general powers and duties of management usually vested in the chief executive officer under the California Nonprofit Public Benefit Corporation Law and shall have other powers and duties as may be prescribed by this Corporation's Board of Directors, these Bylaws, and the policies of the Corporate Member.

Section 5. Vice Chairperson of the Board. The Vice Chairperson of the Board shall be elected from among the Directors and, in the absence or disability of the Chairperson of the Board, shall perform all duties of the Chairperson of the Board and, when so acting, shall have all powers of and be subject to all restrictions upon the Chairperson of the Board. In the absence of both the Chairperson of the Board and the Vice Chairperson of the Board, the Board shall select one of its members, other than the Secretary or CFO, to act as Chairperson of the Board.

Section 6. Secretary. The Secretary shall be appointed initially by the Corporate Member and thereafter shall be elected from among the Directors and shall keep or cause to be kept at the principal office or at such other place as the Board of Directors may determine, a book of minutes of all meetings of the Directors, whether annual, regular or special, with the time and place of the meeting, the notice given, the names of those present at the meeting, the proceedings thereat and, if a special meeting, how it was authorized. The Secretary shall give or cause to be given notice of all meetings of the Board of Directors required by these Bylaws or by law. The Secretary shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

Section 7. Chief Financial Officer. The CFO shall and according to the direction of the Board of Directors and the President/CEO, keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of this Corporation, including accounts of its assets, liabilities, receipts,

disbursements, gains, losses and capital. The CFO shall deposit all monies and other valuables in the name and to the credit of this Corporation with such depositaries as may be designated by the Board of Directors. The CFO shall disburse the funds of this Corporation as may be ordered by the Board of Directors, shall render to the President/CEO, the Directors or the Chief Financial Officer of the Corporate Member, whenever they request it, an account of all transactions and of the financial condition of this Corporation, and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws. The CFO shall be appointed by and subject to removal by the President/CEO of this Corporation as a corporate employee with the concurrence of the Chief Financial Officer of the Corporate Member after consultation with the Board of Directors of this Corporation. He or she shall serve such term as may be determined by the Board of Directors. He or she shall report to and be accountable to the President/CEO of this Corporation and the Chief Financial Officer of the Corporate Member.

Section 8. Chief Medical Officer. The CMO shall have administrative oversight over the clinical programs and related activities of each chapter of this Corporation. The CMO shall manage physician relationships and clinical provider staff, including the provision of physician support services, the conduct of physician outreach activities and this Corporation's participation in education and research activities. In addition, the CMO shall coordinate clinical quality standards. The CMO shall be appointed by and shall be subject to removal by the President/CEO of this Corporation with the concurrence of the President/CEO of the Corporate Member after consultation with the Board of Directors of this Corporation, and shall report to and be accountable to the Board of Directors of this Corporation and to the President/CEO of this Corporation and the President/CEO of the Corporate Member.

Section 9. Reporting Relationship of Certain Corporate Officers to the Board of Directors. Persons serving from time to time in the positions of Corporate Responsibility Officer and Vice President and General Counsel shall report to and be accountable to the Board of Directors and the President/CEO and each of them shall be entitled to confidential access to the Chairperson and other members of the Board of Directors as necessary or advisable to carry out such person's duties in such position.

Section 10. Resignation. Any officer may resign at any time by giving written notice to this Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation is without prejudice to the rights, if any, of this Corporation under any contract to which the officer is a party.

Section 11. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

ARTICLE IX  
COMMITTEES

Section 1. Generally.

(a) The Board of Directors may by resolution establish (1) Committees of the Board which shall have legal authority to act for this Corporation, subject to the authority of any Health System-wide committees appointed by Verity, and (2) Advisory Committees. Committees may be either standing or special. Members of all committees shall serve at the pleasure of the Board. Any Committee of the Board which shall have legal authority to act for this Corporation, to the extent provided in a resolution of the Board adopted by a majority of the Directors then in office, shall have all authority of the Board, except with respect to:

- (i) The approval of any action for which the California Nonprofit Public Benefit Corporation Law or these Bylaws also require approval of the Corporate Member, or a majority of this Corporation's Board of Directors;
- (ii) The filling of vacancies on the Board of Directors or on any committee that has the authority of the Board;
- (iii) The amendment or repeal of any resolution of the Board of Directors that by its express terms is not so amendable or repealable;
- (iv) The appointment of other Committees of the Board or members thereof; or
- (v) The approval of any self-dealing transaction, except as provided in Section 5233(d)(3) of the California Nonprofit Public Benefit Corporation Law.

(b) The Board of Directors shall have the power to prescribe the manner in which proceedings of any committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless these Bylaws, the Board or such committee shall otherwise provide, the regular and special meetings and other actions of any committee shall be governed by the provisions of Article VII of these Bylaws. Each committee shall keep minutes of its proceedings and shall report the same to the Board from time to time, as the Board of Directors may require. The Board of Directors shall review the charter of each committee governed by a charter at least once every two years.

Section 2. Committees of the Board. Only Directors may be appointed as members of Committees of the Board. Each Committee of the Board shall consist of two or more Directors. The Chairperson and members of Committees of the Board shall be appointed by the Board of Directors by resolution adopted by a majority of the Directors then in office. The Board may

designate one or more Directors as alternate members of any such committee, who may replace any absent member at any meeting of the committee.

Section 3. Advisory Committees. Advisory Committees may consist of two or more persons and may consist of Directors only, Directors and non-Directors, or non-Directors only, and may include non-voting members and alternate members. The Chairperson and members of Advisory Committees shall be appointed by the Chairperson of the Board or the Board of Directors. Advisory Committees shall have no legal authority to act for this Corporation.

Section 4. Executive Committee.

(a) There may be an Executive Committee which, if established, shall consist of some such members of the Board of Directors as the Board may designate. The Chairperson of the Executive Committee shall be the person then serving as Chairperson of the Board. The Executive Committee shall have authority to act for this Corporation, subject to the provisions of Section 1 of this Article.

(b) The establishment of an Executive Committee and the delegation of authority to it shall not operate to relieve the Board of Directors or any individual Director of any responsibility imposed on it or him or her by law, by the Articles of Incorporation of this Corporation or these Bylaws.

(c) The Executive Committee shall meet at such times as it deems necessary, provided that reasonable notice of all meetings of the Executive Committee shall be given to its members and no act of the Executive Committee shall be valid unless approved by the vote of a majority, or by the unanimous written consent, of its members.

Section 5. Finance Committee. The Finance Committee shall be an Advisory Committee and shall operate in accordance with a charter adopted by the Board of Directors as in effect from time to time. It shall consist of not fewer than four members, all of whom shall be or shall be capable of becoming familiar with basic financial statements and accounting principles, and all of whom shall be deemed by the Board of Directors to be free of any relationship that would interfere with independent judgment. The members of the Committee shall include the President and Chief Executive Officer of the Corporation, the Treasurer of the Corporation, the Chief Financial Officer of the Corporate Member, and at least one other person who is not an officer of the Corporation. The Committee shall have general surveillance over the finances of the Corporation, shall approve the annual budget of and any financial statements prepared by the Corporation, and shall make regular reports and recommendations to the Board of Directors. If there is no separate Audit Committee, the Finance Committee shall be responsible for performing the functions of the Audit Committee as set forth in these Bylaws.

Section 6. Audit Committee. The Audit Committee shall be an Advisory Committee and shall operate in accordance with a charter adopted by the Board of Directors as in effect from time to time. It shall consist of not fewer than three members, all of whom shall be or shall be capable of becoming familiar with basic financial statements and accounting principles, and all of whom shall be deemed by the Board of Directors to be free of any relationship that would

interfere with independent judgment. The Committee shall meet quarterly, and shall meet at least annually with the outside auditor or auditors of the Corporation in the absence of all members who are employees of the Corporation or any Affiliate controlled by the Corporation. The Committee shall have general surveillance over the auditing of the financial records of the Corporation, shall approve the financial statements prepared by the Corporation, and shall make regular reports and recommendations to the Board of Directors, all subject to the authority of the audit committee of Verity or any Health System-wide audit committee that may be established by Verity from time-to-time.

Section 7. Quality and Patient Safety Committee. The Quality and Patient Safety Committee shall be an Advisory Committee and shall operate in accordance with a charter adopted by the Board of Directors as in effect from time to time. The Quality and Patient Safety Committee shall consist of not fewer than three members, all of whom shall be or shall be capable of becoming familiar with basic issues and requirements affecting the quality performance of acute-care hospitals. At least one member of the Committee shall be a Director, and at least one shall be the Chief Medical Officer of the Corporation or, if none exists, the Chief of Staff or other senior physician practicing in a facility affiliated with the Corporation, appointed by the Board of Directors, and the President and Chief Executive Officer of the Corporation and the Vice President of Quality of the Corporate Member shall be each a member ex officio with vote. The Quality and Patient Safety Committee shall meet a minimum of six times a year, shall present regular reports to the Board of Directors and shall oversee the establishment and implementation of an ongoing quality assurance program in accordance with its charter, including, for example and without limitation: review of reports from the administration and the medical staff of the Corporation addressing quality performance, assessment of the impact of the Committee's oversight on quality performance, review of information regarding patient experience; evaluation of the adequacy of resources allocated to quality improvement, and monitoring of participation in national quality improvement efforts.

Section 8. Term of Office. The Chairperson and each member of a standing committee shall serve until the next election of Directors and until his or her successor is appointed or until such committee is sooner terminated or until he or she is removed, resigns or otherwise ceases to qualify as a member of the committee. The Chairperson and each member of a special committee shall serve for the life of the committee unless they are sooner removed, resign or cease to qualify as members of such committee.

Section 9. Vacancies. Vacancies on any committee may be filled for the unexpired portion of the term in the same manner as provided in the case of original appointments.

Section 10. Quorum. At all committee meetings, a majority of committee members then serving, but not less than two (2), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of committee members present, whether or not a quorum, may adjourn any committee meeting to another time and place. The act of a majority of the committee members present at a meeting at which there is a quorum shall be the act of the committee. Notwithstanding previous provisions of this Section, the committee members present at a meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of committee members, so long as any action taken is approved by at least a majority of the required quorum for such meeting.



## ARTICLE X

### MEDICAL STAFF

#### Section 1. Organization, Appointments and Hearings.

(a) The Corporation shall maintain an organized medical staff that is accountable to the Board of Directors. The Board of Directors shall have the ultimate authority and responsibility for the oversight and delivery of health care rendered by all licensed independent practitioners and other practitioners granted practice privileges at health facilities licensed in the name of this Corporation. The Board of Directors shall organize the physicians, dentists, podiatrists and such other categories as may be permitted by law and granted practice privileges at health facilities licensed in the name of this Corporation into one or more staffs ("Medical Staff") under Medical Staff bylaws approved by the Board of Directors. The Board of Directors shall also make provision for credentialing and privileging through the medical staff process of such categories of licensed independent practitioners and other practitioners as the Board of Directors may authorize under Medical Staff bylaws approved by the Board of Directors) the "Allied Health Professional Staff"). The Board of Directors shall consider recommendations of the Medical Staff and appoint to the Medical Staff and the Allied Health Professional Staff such practitioners as meet the qualifications for membership and privileges set forth in the Medical Staff bylaws. Only members of the Medical Staff may admit patients. Each member of the Medical Staff and the Allied Health Professional Staff shall have appropriate authority and responsibility for the care of her or his patients, subject to the limits of her or his licensure and privileges, as delineated by the Board of Directors, and subject to such limits as are contained in these Bylaws and in the Bylaws, Rules and Regulations of the Medical Staff.

(b) All applications for appointment to the Medical Staff and the Allied Health Professional Staff shall be in writing and addressed to the Medical Staff secretary. They shall contain full information concerning the applicant's education, licensure, practice, previous hospital experience and any history with regard to licensure and hospital privileges.

(c) All appointments to the Medical Staff and the Allied Health Professional Staff shall be for a maximum period of two (2) years, renewable by the Board of Directors upon re-application. When an appointment is denied or not renewed, or when privileges have been or are proposed to be denied, reduced, suspended or terminated, the affected practitioner shall be afforded a fair hearing and review conducted in accordance with the hearing and appeal provisions of the Medical Staff bylaws.

(d) Liaison among the Board, Administration, the Medical Staff and the Allied Health Professional Staff shall be accomplished as determined by the Board of Directors from time to time.

#### Section 2. Medical Care and Evaluation.

(a) The Medical Staff shall be responsible to the Board of Directors for providing appropriate professional care to patients and for overseeing the quality of care, treatment and services delivered by the Medical Staff and the Allied Health Professional Staff,

evaluating the competency of practitioners, delineating the privileges of members of the Medical Staff and the Allied Health Professional Staff, and providing leadership in performance improvement activities of the Corporation.

(b) The Board of Directors, in the exercise of its responsibility to establish, maintain and support an ongoing performance improvement program, shall delegate to the Medical Staff initial authority for assuring appropriate professional care by members of the Medical Staff to patients. The Medical Staff shall discharge this responsibility through a continuing review, analysis, and appraisal of the quality of care provided by members of the Medical Staff and the Allied Health Professional Staff and an appropriate response to findings. Such performance improvement activities shall be regularly reported, together with their results and recommended responses, to the Board of Directors.

(c) The Medical Staff and the Allied Health Professional Staff shall maintain adequate and accurate medical records for all patients.

(d) The Medical Staff shall make recommendations to the Board of Directors concerning:

- (i) Appointments; re-appointments and alterations to Medical Staff and Allied Health Professional Staff status;
- (ii) Granting, revocation and alteration of privileges;
- (iii) Corrective and disciplinary actions;
- (iv) All matters relating to professional competency; and
- (v) Such specific matters as may be referred to it by the Board of Directors.

### Section 3. Medical Staff Bylaws.

(a) There shall be Bylaws, Rules and Regulations for the Medical Staff setting forth its organization and government. Proposed Medical Staff bylaws, rules and regulations shall be recommended and approved by the Medical Staff and shall become effective only upon their approval by the Board of Directors, which approval shall not be unreasonably withheld.

(b) The Medical Staff Bylaws shall include procedures for:

- (i) written, well-defined criteria for appointment, precluding the possibility of discrimination according to color, national origin, race, creed, sex or age;
- (ii) appointment, reappointment, delineation of privileges, curtailment and revocation of privileges;

- (iii) an appeals mechanism for review of decisions to deny, curtail or revoke privileges;
  - (iv) a performance improvement program by which patient care is regularly evaluated and verification of this evaluation and of responsive actions taken is provided to the Board of Directors;
  - (v) attestation by signature of each practitioner that he or she will abide by the Medical Staff Bylaws, Rules and Regulations and the policies of the Corporation and Health System;
  - (vi) communication between the Board of Directors and the Medical Staff through the Executive Committee of the Medical Staff;
  - (vii) requiring that only a licensed practitioner with clinical privileges shall be directly responsible for a patient's diagnosis and treatment within the area of such practitioner's privileges; each patient's general medical condition shall be the responsibility of a physician member of the Medical Staff; each patient admitted shall receive a baseline history and physical examination by a physician or other licensee who has the requisite privileges; a physician member of the Medical Staff shall be responsible for the care of any medical problems that may be present at the time of admission or that may arise during hospitalization;
  - (viii) the selection and appointment of officers of the Medical Staff and of Medical Staff department chairpersons, all of whom shall be subject to approval of the Board of Directors;
  - (ix) restricting membership in the Medical Staff to physicians, dentists, podiatrists and, when authorized, clinical psychologists, and membership in the Allied Health Professional Staff to licensed independent practitioners in categories approved for privileges who are competent in their respective fields, worthy in character and in professional ethics; and
  - (x) maintaining self-government by the Medical, Staff with respect to the professional work performed at the Corporation and periodic meetings of the Medical Staff to review and analyze clinical experience at regular intervals, with patient medical records as the basis for such review and analysis.
- (c) The Medical Staff Bylaws shall provide that:
- (i) there shall be no discrimination with respect to Medical Staff privileges or the provision of professional services against a licensed physician on the basis of whether that physician holds an M.D. or a D.O. degree; and

- (ii) whenever staffing requirements for a service mandate that the physician responsible for the service be certified or eligible for certification by an appropriate American Medical board, such position may be filled by an osteopathic physician who is certified or eligible for certification by the equivalent appropriate American osteopathic board.

Section 4. Medico-Administrative Personnel. Except as specified in written requirements for such positions, physicians and specified professional personnel engaged by this Corporation either full time or part time as employees or independent contractors in any medico-administrative positions, shall not be required to maintain membership on the Medical Staff. Members of the Medical Staff in medico-administrative positions may be terminated from their contractual relationship with this Corporation according to corporate policy or according to the terms of their contracts.

## ARTICLE XI

### GENERAL PROVISIONS

Section 1. Voting Interests. Subject to the limitations of Article VI, Section 2 of these Bylaws (Reserved Powers of the Corporate Member), the Corporation may vote any and all shares or other voting securities held by it in any other corporation or other entity and may exercise any and all membership rights held by it in any other corporation. Such action shall be undertaken or evidenced on behalf of this Corporation by such officer, agent or proxy as the Board of Directors may appoint or, in the absence of any such appointment, by the Chairperson of the Board or by an officer who is also a Director and, in such case, such person may likewise appoint a proxy to vote such securities.

Section 2. Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to this Corporation and any and all securities owned or held by this Corporation requiring signature for transfer shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by the Board of Directors.

Section 3. Execution of Contracts. Except as otherwise provided in these Bylaws, and subject to the System Authority Matrix, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute any instrument in the name of and on behalf of this Corporation and such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind this Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 4. Inspection of Corporate Records. The accounting books and records of this Corporation, the minutes of proceedings of this Corporation's Board of Directors and Committees, and the minutes of proceedings of the Corporate Member acting in its capacity as member of this Corporation shall be open to inspection upon the written request by the Corporate Member or any Director at any reasonable time and for any purpose reasonably related to the

interests of the Corporate Member, or the Director, as applicable. Such inspection may be made in person or by an agent or attorney.

Section 5. Annual Report. The Board of Directors shall cause an annual report to be sent to each Director of this Corporation and to the Corporate Member, no later than one hundred twenty (120) days after the close of this Corporation's fiscal or calendar year. Such annual report shall be prepared in conformity with requirements of the California Nonprofit Corporation Law.

Section 6. Fiscal Year. The fiscal year of this Corporation shall begin on the first day of July each year and end on June 30th of the following year.

Section 7. Review of Bylaws. At least once every two (2) years, the Board of Directors shall review, or delegate to an appropriate committee the review of, these Bylaws and recommend revisions to the Corporate Member as necessary to assure their compliance with all relevant requirements for licensure and accreditation of the health care facilities of the Corporation by state agencies and The Joint Commission, respectively.

Section 8. Financial Statements Must Be Made Available. If the Corporation prepares an audited financial statement, such audited financial statement shall be made available for inspection by the California Attorney General and by all members of the public no later than nine months after the close of the relevant fiscal year in the same manner as the Corporation's Internal Revenue Service Form 990. Each annual financial statement shall be made available to the public for three years.

Section 9. Executive Compensation Review and Approval. The Board, or any authorized Committee of the Board, shall review and approve the compensation, including benefits, of the President and CEO and the CFO to ensure that each such officer's compensation is just and reasonable. Such review and approval shall occur when the officer is initially hired, whenever the officer's term of employment is renewed or extended, and when the officer's compensation is modified, unless such modification applies to substantially all employees.

## ARTICLE XII

### INDEMNIFICATION AND INSURANCE

Section 1. Indemnification. To the full extent permitted by law and in the manner provided by law, this Corporation may, and if the law requires it shall, indemnify against liability and hold harmless any person who was or is a party to or is threatened to be a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a Director, officer, employee or other agent of this Corporation when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or other agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise. The foregoing rights of indemnification shall not be deemed to be exclusive of any other rights to which such person may be entitled under applicable law, and shall continue as to a person who has ceased to be a Director, officer, employee, or other agent of this Corporation and shall inure to the benefit of

the estate, executors, administrators, heirs, legatees or devisees of any such person to the extent such action, suit or proceeding survives the death of such person.

Section 2. Payment of Expenses. This Corporation may pay expenses, including attorney's fees, incurred in defending any action, suit or proceeding referred to in this Article in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case and as permitted by law:

Section 3. Insurance. This Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or other agent of this Corporation when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or other agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise, against any claim or liability asserted against such person and incurred in any such capacity, or arising out of such person's status as such, whether or not this Corporation would be required or would have the power to indemnify such person against such liability under this Article or otherwise.

## ARTICLE XIII

### MAINTAINING A UNIFIED HEALTH SYSTEM

Section 1. Generally. In order to ensure the relationships between organizations in the Health System that are necessary to maintain a unified system, this Corporation, in accordance with policies established by the Corporate Member, shall require that the governing document or documents of any entity of which this Corporation is the sole member or controlling organization contain the following:

(a) Provisions that reserve to this Corporation the powers over such entity as may be required by applicable Health System policies;

(b) Provisions that reserve to such entity powers over organizations it controls, as may be required by applicable Health System policies; and

(c) Provisions that require such entity to require that the governing document or documents of organizations it controls contain a provision that reserves to this Corporation, to the Corporate Member of this Corporation or to such entity, as the case may be, the powers set forth in these Bylaws, the governing document or documents of such entity or applicable Health System policies. The term "governing document or documents" is used in this Article as a generic term to describe the organizational documents by which an entity is legally formed in a particular state and includes, but is not limited to, articles of incorporation, bylaws, governing resolutions, articles of partnership, joint venture agreements, operating agreements and any other document that creates or governs the organization or entity.

Section 2. Exercise of Reserved Powers. All action by this Corporation as the sole member or controlling person of an Affiliate shall be taken by this Corporation's Board of Directors.

## ARTICLE XIV

### GENDER AND NUMBER

Words used herein regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

## ARTICLE XV

### AMENDMENTS

These Bylaws or any part thereof may be amended or repealed or new Bylaws may be adopted by the affirmative vote of the Corporate Member.

## **EXHIBIT 4**



Draft

FORM OF AMENDED AND RESTATED ARTICLES FOR DIRECT SUBSIDIARY  
HOSPITALS OF VERITY HEALTH SYSTEM OF CALIFORNIA, INC.

**AMENDED AND RESTATED  
ARTICLES OF INCORPORATION**

**OF**

**[NAME]**

The undersigned certify that:

1. 1. They are the President/CEO and the Secretary, respectively, of [NAME], a California nonprofit religious corporation (the "Corporation")
2. The Articles of Incorporation of this Corporation shall be amended and restated to read in full as set forth in Exhibit A attached hereto and incorporated herein by this reference.
3. The foregoing amendment and restatement of the Articles of Incorporation has been duly approved by the board of directors and the sole member of this Corporation.
4. This Corporation has one member.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: \_\_\_\_\_, 2015

\_\_\_\_\_  
President/CEO

\_\_\_\_\_  
Secretary

**Exhibit A**

**AMENDED AND RESTATED  
ARTICLES OF INCORPORATION**

**ARTICLE I**

The name of this Corporation is “[NAME]”

**ARTICLE II**

A. This Corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law of the State of California for public and charitable purposes. In furtherance of the foregoing, this Corporation may do all of the following: (1) establish, acquire, develop, operate, lease, manage, and maintain acute care hospitals and appurtenant facilities; (2) promote and carry on scientific research related to the delivery of health care services; (3) establish, manage, and maintain various types of health plans, utilizing health delivery systems designed and coordinated to maximize benefits to the communities served; (4) participate in any activity designed and carried on to promote the general health of the community; and (5) make donations, transfer assets, and provide other forms of aid and assistance to, for the benefit of, or in connection with Verity Health System of California, Inc., a California nonprofit public benefit corporation (“Verity”) or any of its affiliates. Notwithstanding the foregoing specific statement of purposes, the Corporation shall have and may exercise all of the power of a California nonprofit public benefit corporation, but only in furtherance of the above purposes.

B. In addition to the foregoing purposes, this Corporation is organized and operated primarily for charitable, scientific and educational purposes within the meaning of § 501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provision of any future United States Internal Revenue Law) (the “IRC”), and for scientific and charitable and educational purposes within the meaning of § 214(a)(15) of the California Revenue and Taxation Code (or the corresponding section of any future California revenue and tax law) (the “R&TC”). In furtherance of these purposes, this Corporation may:

- (1) Support and foster the corporate purposes of Verity, and aid, assist and confer benefits upon Verity and its affiliates.
- (2) Cooperate with health care institutions and membership institutions of Verity in their respective efforts to promote quality service at reasonable rates.
- (3) Promote cooperation and the exchange of knowledge and experience within the health system established and operated by Verity.

(4) Engage in any lawful activities within the purposes and powers for which a corporation may be organized under the California Nonprofit Public Benefit Corporation Law and as may be necessary or expedient for the administration of the affairs and attainment of the purposes of this Corporation.

(5) Otherwise operate for charitable, scientific and educational purposes within the meaning of § 501(c)(3) of the IRC and within the meaning of § 214(a)(6) of the R&TC, in the course of which operation:

- (a) No part of the net earnings of this Corporation shall inure to the benefit of, or be distributable to, any private shareholder or individual, except that this Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein.
- (b) No substantial part of the activities of this Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and this Corporation shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of any candidate for public office except as authorized under the IRC and R&TC.
- (c) Notwithstanding any other provisions of these Articles, this Corporation shall not carry on any other activities not permitted to be carried on by (i) a corporation exempt from federal income tax under § 501(a) of the IRC, or by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC, or ii) by a corporation exempt from taxation under § 214 of the R&TC.

### ARTICLE III

The name and address in the State of California of this Corporation's agent for service of process is:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### **ARTICLE IV**

The street and mailing address of this Corporation is [ADDRESS].

#### **ARTICLE V**

This Corporation shall have one member (the "Corporate Member"). The Corporate Member shall be Verity.

#### **ARTICLE VI**

The property and assets of this Corporation are irrevocably dedicated to charitable, educational and scientific purposes meeting the requirements of § 214 of the R&TC. Upon the winding up and dissolution of this Corporation, its assets remaining, after payment or adequate provision for payment of all debts and obligations of this Corporation, shall be distributed in accordance with a plan of liquidation approved by the Board of Directors to: (a) the Corporate Member, if it is organized and operated exclusively for public and charitable purposes and has established its tax exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or if for any reason it is unable to take such assets for such purpose; (b) such organization or organizations determined by the Board of Directors and organized and operated exclusively for charitable, educational or scientific purposes as shall at the time qualify as an exempt organization or organizations under § 501(c)(3) of the IRC and under § 214 of the R&TC. No assets shall be distributed to any organization if any part of the net earnings of such organization inures to the benefit of any private person or individual, or if a substantial part of the activities of such organization is the carrying on of propaganda or otherwise attempting to influence legislation, or if the organization participates in, or intervenes in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office, or if the organization carries on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under § 501(c)(3) of the IRC and meeting the requirements of § 214 of the R&TC or (ii) by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC.

#### **ARTICLE VII**

These Articles shall be amended only upon approval by this Corporation's Board of Directors and the Corporate Member.

## **EXHIBIT 5**



**DCHS POLICIES AND PROCEDURES**  
**SECTION 04: CORPORATE RESPONSIBILITY**

**POLICY/PROCEDURE #:** 04.01.01  
**TITLE:** CONFLICT OF INTERESTS DISCLOSURES BY THE  
BOARD OF DIRECTORS AND BOARD  
COMMITTEES  
**BOARD APPROVAL DATE:** May 23, 2008  
**EFFECTIVE DATE:** May 23, 2008  
**REVISION DATE:** December 2, 2011

Robert Issai, President /CEO

**Reference to Policy/Procedure #:** 04.01.02 Conflict of Interests Disclosures by Covered  
Associates, Physician Leaders, and Other  
Designated Persons

**Purpose**

The purpose of this policy is to protect the Corporation's interests when it is contemplating entering into a transaction or arrangement that may also benefit a Director and/or family member personally.

This policy applies to Board members, Board officers, and members of Board committees, herein referred to as "Directors". A related policy (Policy/Procedure 04.01.02 "Conflict of Interests Disclosures by Covered Associates, Physician Leaders, and Other Designated Persons") applies to associates (including employed officers and other members of senior management) and physician leaders. A conflict of interests exists when a Director has a personal financial interest that may influence the decisions that the Director makes on behalf of the Corporation.

This policy provides a systematic and ongoing method of assisting Directors in disclosing and addressing potential and actual conflicts of interests.

## Principles

Directors must exercise their fiduciary duties in a manner consistent with the mission and values of Daughters of Charity Health System (DCHS). Directors must exercise the utmost good faith and fair dealing in all transactions touching their duties to the Corporation, scrupulously avoiding conflicts of interests, whether potential, actual or perceived, to ensure that the Corporation and its Board of Directors conduct activities in a fair and unbiased manner.

## Definitions

For the purpose of this Policy/Procedure, the following definitions apply:

1. **Corporation:** DCHS and its affiliates including, but not limited to, O'Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center, St. Vincent Dialysis Center, Seton Medical Center, Seton Coastside, Caritas Business Services, O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, Seton Health Services Foundation, St. Francis Medical Center of Lynwood Foundation, St. Vincent Foundation, and the DCHS Medical Foundation.
2. **Family:** Anyone related to the Director through blood, marriage, adoption, domestic partnership, or anyone living in the Director's household.
3. **Favors:** Something offered without requesting the monetary value in return, such as discounts, meals, entertainment, tuition, seminars, and conferences.
4. **Financial Interest:** A Director or Family member has, directly or indirectly, a current or potential
  - Ownership or investment interest in; or
  - Compensation arrangement with; or
  - Other economic interest in any of the following:
    - i. The Corporation; or
    - ii. Any entity or individual with which the Corporation has a transaction or arrangement; or
    - iii. Any entity or individual with which the Corporation is negotiating a transaction or arrangement; or
    - iv. Any entity or individual that competes with the Corporation.

"Compensation" includes direct and/or indirect remuneration, as well as gifts or Favors in excess of \$300 in any calendar year.

"Ownership or investment" excludes interests of less than 1% in entities whose securities are publicly listed and have \$75 million or more of stockholders equity.

5. **Potential Conflict of Interests:** A Financial Interest is not necessarily a conflict of interests. Directors have a duty to disclose all Financial Interests for purposes of evaluation. The Board or Board committee, as applicable, shall decide whether a conflict of interests exists.

## Procedures

### 1. Duty to Disclose

Directors have an ongoing duty to disclose Financial Interests, when such Financial Interests may be potential or actual conflicts of interests. Directors have a duty to disclose Financial Interests relating to specific corporate transactions, annually, and otherwise during the year, in accordance with the procedures below.

### 2. Disclosures Related to Specific Corporate Transactions

When a potential conflict of interests arises or any situation arises in which a Director may be in doubt, the Director must disclose the material facts to the other Board members or Board committee. Disclosure of the Financial Interest shall be made prior to the Board or committee voting on such transaction or arrangement. Such disclosure may be made in person or in writing, as the Chair of the Board or committee may direct.

After disclosure of the Financial Interest and all material facts, the Director may be asked to clarify or provide additional information relevant to the Financial Interest. After all needed information is obtained by the Board or committee, the Director shall not be present during evaluation of the disclosure. The remaining Board or committee members shall decide if a conflict of interests exists.

If a determination is made that a conflict of interests does indeed exist, action may be taken as listed below.

- A. The Chair of the Board or committee may, if appropriate, appoint a disinterested Director or committee to consider alternatives to the proposed transaction or arrangement.
- B. After exercising due diligence, the disinterested members of the Board or committee shall determine whether the Corporation can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interests.
- C. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interests, the Board or committee shall determine by a majority vote of the disinterested Directors or committee members whether the transaction or arrangement is fair and reasonable to the Corporation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.



- D. The Director shall not be present when the transaction is voted on and only disinterested Directors or committee members may vote to approve the transaction.
- E. At their discretion, disinterested Board or committee members may require the Director to leave the room while the proposed transaction is discussed. The disinterested members shall balance the need for independence of the determination with the need to have the Director on hand to answer questions or provide additional information to assist the Board or committee.
- F. To the extent permitted by applicable state law and the Corporation's governing documents, Directors may be counted in determining the presence of a quorum of a meeting where a potential conflict of interests has been disclosed.
- G. Prior to corporate approval of a contract or transaction in which a Financial Interest of a Director has been identified, counsel shall be consulted to determine whether any additional steps before such approval are required under California or federal law, including the California Nonprofit Corporation Law and the Internal Revenue Code and accompanying regulations.

### 3. Annual and Ongoing Disclosure Requirements for Directors

- A. **Annual Disclosure Statement:** The President and Chief Executive Officer of the Corporation or designee shall annually send the Conflict of Interests Disclosure Statement to all Directors, immediately following the annual meeting of the Board of Directors. Not later than January 31 of each year, each Director shall complete and sign a Conflict of Interests Disclosure Statement in the Exhibit to this policy.
- B. **Ongoing Requirements for Disclosures by Directors:** If any Financial Interest of a Director changes which gives rise to a potential or actual conflict of interests while the Director is serving, the Director shall promptly provide an updated Conflict of Interests Disclosure Statement to the Chair of the Board.
- C. Directors shall submit completed Conflict of Interests Disclosure Statements to the Chair of the Board. Conflict of Interests Disclosure Statements shall be made a matter of record.
- D. The information of each Conflict of Interests Statement can be compiled into a summary report for review by the Chair of the Board at their request.
- E. The Chair of the Board will address any conflict of interests issues.
- F. The Chair of the Board will report all Director conflict of interests findings (if any) and resolutions to the Board of Directors.

#### **4. Documentation of Disclosures**

- A. The minutes of the Board and all Board committees will contain the following:
  - i. The name of each Director who disclosed or otherwise was found to have a Financial Interest that was an actual or potential conflict of interests, a general statement as to the nature of the interest, the evaluation, and the Board's or committee's determination as to whether a conflict of interests in fact existed.
  - ii. The names of the persons who were present for discussions and votes relating to the transaction, a summary of the discussion that identifies whether any alternatives to the proposed transaction were considered, and a record of any votes taken in connection therewith.
- B. The President/CEO or designee shall maintain for 10 years a confidential record of the disclosure, evaluation of the facts, conclusion, and (if any) action taken to address the conflict.

#### **5. Violations of this Policy**

- A. If the Board or committee has reasonable cause to believe that a Director has failed to disclose an actual or potential conflict of interests, it shall inform the Director of the basis for such belief and afford the Director an opportunity to explain the alleged failure to disclose.
- B. After hearing the response of the Director and making such further investigation, as may be warranted, if the Board or committee determines that the Director has failed to disclose an actual or potential conflict of interests, it will take such action as it considers appropriate, which may include disciplinary and corrective action.

#### **6. Members Precluded from Voting on Matters relating to Compensation**

- A. **Voting Member of Board:** A voting member of the Board of Directors who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.
- B. **Physician Member of Board:** A physician who is a voting member of the Board of Directors and receives compensation, directly or indirectly, from the Corporation is precluded from discussing and voting on matters pertaining to the member's or another physician's compensation. No physician or physician Director, either individually or collectively, is prohibited from providing information to the Board of Directors regarding physician compensation.
- C. **Voting Member of Committee:** A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.

D. **Physician Participation on Committee:** Physicians who receive compensation, directly or indirectly, from the Corporation, whether as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

**7. Confidentiality Agreement**

Each Director shall sign a Confidentiality Agreement in order to protect the confidentiality of Board deliberations. A Confidentiality Agreement is included in the Conflict of Interests Disclosure Statement.

**Implementation and Review of this Policy**

This policy is to be implemented by:  
**LHM Board of Directors Chair**

This policy is to be reviewed annually for compliance and relevance by:  
**DCHS Corporate Responsibility Officer**

**Exhibit - Conflict of Interests Disclosure Statement**

Exhibit to Policy/Procedure 04.01.01

**CONFLICT OF INTERESTS DISCLOSURE STATEMENT  
AND CONFIDENTIALITY AGREEMENT  
Board of Directors and Board Committee Members**

Name: \_\_\_\_\_

Name of Corporation: \_\_\_\_\_

Title (check one):                      Director [  ]      Committee Member [  ]

Filing Period (check one):      Initial [  ]      Annual [  ]      Specific Event [  ]

Received by: \_\_\_\_\_

Date Received by Filing Officer: \_\_\_\_\_

Please answer the following questions:

**DEFINITIONS.** Capitalized terms used herein shall have the meanings set forth in the Conflict of Interests Policy 04.01.01. Refer to the "Definitions" section of the policy.

**DISCLOSURE OF FINANCIAL INTEREST.** Please fill out a new Disclosure Statement each time you become aware of a Financial Interest.

1. Do you or your Family members have, directly or indirectly, a current or potential ownership or investment interest in any of the following:
  - a. The Corporation?    Yes [  ]    No [  ]
  - b. Any entity or individual with which the Corporation has a transaction or arrangement?  
Yes [  ]    No [  ]
  - c. Any entity or individual with which the Corporation is negotiating a transaction or arrangement?    Yes [  ]    No [  ]
  - d. Any entity or individual that competes with the Corporation?  
Yes [  ]    No [  ]

("Corporation" includes DCHS and its affiliates.)

("Ownership or investment" excludes interests of less than 1% in entities whose securities are publicly listed and have \$75 million or more of stockholders equity.)

("Investment" interest includes outstanding bonds and debts.)

For each answer "yes" above, provide on a separate sheet information regarding all such interests (i.e., who holds the financial interest, your relationship to them, name of entity or individual with which the financial interest is held, nature of financial interest, dollar amount, number of shares, percentage ownership, etc.).

2. Do you or your Family members have, directly or indirectly, a current or potential compensation arrangement with any of the following:
- a. The Corporation? Yes [ ] No [ ]
  - b. Any entity or individual with which the Corporation has a transaction or arrangement? Yes [ ] No [ ]
  - c. Any entity or individual with which the Corporation is negotiating a transaction or arrangement? Yes [ ] No [ ]
  - d. Any entity or individual that competes with the Corporation? Yes [ ] No [ ]

("Corporation" includes DCHS and its affiliates.)

("Compensation" includes direct and indirect remuneration, as well as gifts or Favors in excess of \$300 in any calendar year.)

For each answer "yes" above, provide on a separate sheet information regarding all such compensation arrangements (i.e., who has the compensation arrangement, your relationship to them, name of entity or individual they have a compensation arrangement with, nature of the compensation arrangement, dollar amount, etc.).

3. **OTHER DIRECTORSHIPS.** List the names of all entities for which you serve as a member of the Board of Directors and the estimated amount of annual compensation you receive, if any, from such entities for your service as a Director (attach additional sheets if necessary):

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

4. **OTHER POSITIONS.** List the names of all entities which transact business with the Corporation or compete with the Corporation and with which you serve in any capacity (other than as Director, including directive, managerial or consultative) and the estimated amount of annual compensation you receive, if any, from such entities for such service (attach additional sheets if necessary):

_____	\$ _____
_____	\$ _____
_____	\$ _____

5. **BORROWINGS**. Disclose the terms (i.e., amount, interest rate, security given, and duration) of any loans (of money or other property) where you are the borrower and the lender is a patient, individual or entity that transacts business with the Corporation.

---

---

6. **GIFTS OR FAVORS**. Disclose all cash gifts (regardless of the amount of cash) and any non-cash gifts or Favors which you or members of your Family have received from individuals or entities which transact business or seek to transact business with the Corporation.

---

---

7. **OTHER**. I hereby disclose the following circumstances which may involve a possible conflict of interests:

---

---

8. **CONFIDENTIALITY AGREEMENT**. I recognize that Board and committee meetings of the Corporation are conducted in strictest confidence and matters are discussed that are sensitive in nature and, therefore, confidential and proprietary. Accordingly, I agree in connection with any and all participation at meetings of the Board of Directors or committees of the Board to maintain all information, whether or not specifically identified as confidential and proprietary, in strictest confidence, absent specific authorization to release or disclose information to third parties by the Board of Directors or its President. By signature below, I also certify that neither I (nor any member of my Family) have disclosed or used information relating to the Corporation for the personal profit or advantage of myself or any member of my Family.

9. **AFFIRMATION.**

- I hereby acknowledge receiving a copy of the Conflict of Interests policy 04.01.01.
- I have read, understand, and agree to comply with the terms of the policy.
- I understand that the Corporation is a charitable organization and that, in order to maintain its federal tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.
- I have disclosed any and all interests and activities that I or members of my Family have or have taken part in, that when considered in conjunction with my position with or relation to the Corporation, might possibly constitute a conflict of interests.
- I agree to refrain from voting or using my personal influence on any matter that may represent a conflict of interests.
- I agree to refrain from accepting gifts or Favors, gratuities or entertainment intended to influence my judgment or actions concerning the business of the Corporation.
- If any situation should arise in the future which may involve me in a conflict of interests in accordance with the policy, I will promptly provide a new Disclosure Statement to the Chair of the Board.

**SIGN AND DATE:**

\_\_\_\_\_

Date: \_\_\_\_\_

Copy to:      President/CEO

**EXHIBIT 6**



**AMENDED AND RESTATED**  
**ARTICLES OF INCORPORATION**  
**OF**  
**DAUGHTERS OF CHARITY HEALTH SYSTEM**

The undersigned certify that:

1. They are the President/CEO and the Secretary, respectively, of Daughters of Charity Health System, a California nonprofit religious corporation (the "Corporation").
2. The Articles of Incorporation of this Corporation are amended and restated to read in full as set forth in Exhibit A attached hereto and incorporated herein by this reference.
3. The foregoing amendment and restatement of the Articles of Incorporation has been duly approved by the board of directors and the sole member of this Corporation.
4. This Corporation has one member.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: \_\_\_\_\_, 2015

\_\_\_\_\_  
President/CEO

\_\_\_\_\_  
Secretary

**Exhibit A**  
**AMENDED AND RESTATED**  
**ARTICLES OF INCORPORATION**

**ARTICLE I**

The name of this Corporation is "Verity Health System of California, Inc."

**ARTICLE II**

A. This Corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law of the State of California for public and charitable purposes. More specifically, the Corporation is organized and operated exclusively for the support and benefit of, to perform the functions of, or to carry out the purposes of the following organizations: O'Connor Hospital, Saint Louise Regional Hospital, St. Vincent Medical Center, St. Francis Medical Center, Seton Medical Center, Verity Medical Foundation, Verity Business Services, and St. Vincent Dialysis Center. In furtherance of the foregoing, this Corporation may do all of the following: (1) establish, acquire, develop, operate, lease, manage, and maintain acute care hospitals, physician practices, medical foundations and appurtenant facilities and related enterprises (collectively referred to as the "Verity Health System"); (2) promote and carry on scientific research related to delivery of health care services; (3) establish, manage, and maintain various types of health care enterprises, utilizing health delivery systems designed and coordinated to maximize benefits to the communities served; (4) participate in any activity designed and carried on to promote the general health of the community served by Verity Health System or any of this Corporation's affiliates; and (5) make donations, transfer assets and provide other forms of aid and assistance to, for the benefit of, or in connection with each organization that is controlled, directly or indirectly, by this Corporation or by another organization controlled by this Corporation (each, an "Affiliate"). Notwithstanding the foregoing specific statement of purposes, the Corporation shall have and may exercise all of the power of a California nonprofit public benefit corporation, but only in furtherance of the above purposes.

B. In addition to the foregoing purposes this Corporation is organized and operated primarily for charitable, scientific and educational purposes within the meaning of §501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provision of any future United States Internal Revenue Law) (the "IRC"), and within the meaning of § 214(a)(6) of the California Revenue and Taxation Code (or the corresponding section of any future California revenue and tax law) (the "R&TC") and, in furtherance of these purposes, this Corporation may:

- (1) Promote, support and engage in any and all educational, charitable and scientific programs which are now, or may hereafter be, established by any of the Affiliates.
- (2) Support and foster the corporate purposes of, and aid, assist and confer benefits upon the Affiliates.

- (3) Cooperate with the Affiliates in their respective efforts to promote quality service at reasonable rates.
- (4) Promote cooperation and the exchange of knowledge and experience within the Verity Health System.
- (5) Engage in any lawful activities within the purposes and powers for which a corporation may be organized under the California Nonprofit Public Benefit Corporation Law and as may be necessary or expedient for the administration of the affairs and attainment of the purposes of this Corporation.
- (6) Otherwise operate for charitable, scientific and educational purposes within the meaning of § 501(c)(3) of the IRC and within the meaning of § 214(a)(6) of the R&TC, in the course of which operation:
  - (a) No part of the net earnings of this Corporation shall inure to the benefit of, or be distributable to, any private shareholder or individual, except that this Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein.
  - (b) No substantial part of the activities of this Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and this Corporation shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of any candidate for public office except as authorized under the IRC and R&TC.
  - (c) Notwithstanding any other provisions of these Articles, this Corporation shall not carry on any other activities not permitted to be carried on by (i) a corporation exempt from federal income tax under § 501(a) of the IRC, or by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC, or (ii) by a corporation exempt from taxation under § 214 of the R&TC.

### ARTICLE III

The name and address in the State of California of this Corporation's agent for service of process is:

[TBD]

---

---

---

#### ARTICLE IV

The street and mailing address of this Corporation is 26000 Altamont Road, Los Altos, California 94022-4317.

#### ARTICLE V

This Corporation shall have no members.

#### ARTICLE VI

The property of this Corporation is irrevocably dedicated to charitable, educational, and scientific purposes meeting the requirements of § 214 of the R&TC and in Article II.B hereof. Upon the winding up and dissolution of this Corporation, its assets remaining, after payment or adequate provision for payment of all debts and obligations of this Corporation, shall be distributed in accordance with a plan of liquidation approved by the Board of Directors to such organization or organizations determined by the Board of Directors and organized and operated exclusively for charitable, educational or scientific purposes as shall at the time qualify as an exempt organization or organizations under § 501(c)(3) of the IRC and under § 214 of the R&TC. No assets shall be distributed to any organization if any part of the net earnings of such organization inures to the benefit of any private person or individual, or if a substantial part of the activities of such organization is the carrying on of propaganda or otherwise attempting to influence legislation, or if the organization participates in, or intervenes in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office, or if the organization carries on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under § 501(c)(3) of the IRC and meeting the requirements of § 214 of the R&TC or (ii) by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC.

#### ARTICLE VII

These Articles shall be amended only upon approval by this Corporation's Board of Directors.

**EXHIBIT 7**

AMENDED AND RESTATED  
BYLAWS  
OF  
VERITY HEALTH SYSTEM OF CALIFORNIA, INC.

Adopted  
as of \_\_\_\_\_, 2015

## TABLE OF CONTENTS

	<u>Page(s)</u>
Article I NAME .....	1
Article II DEFINITIONS.....	1
Article III PURPOSES AND MISSION.....	2
Article IV OFFICES AND SEAL.....	2
Article V BOARD OF DIRECTORS .....	2
Article VI MEETINGS OF THE BOARD OF DIRECTORS.....	8
Article VII CORPORATE OFFICERS .....	9
Article VIII COMMITTEES.....	14
Article IX GENERAL PROVISIONS.....	18
Article X INDEMNIFICATION AND INSURANCE.....	19
Article XI MAINTAINING A UNIFIED HEALTH SYSTEM .....	20
Article XII GENDER AND NUMBER.....	20
Article XIII AMENDMENTS .....	21

**AMENDED AND RESTATED**  
**BYLAWS OF**  
**VERITY HEALTH SYSTEM OF CALIFORNIA, INC.**

**ARTICLE I**

**NAME**

The name of this Corporation shall be as set forth in its Articles of Incorporation.

**ARTICLE II**

**DEFINITIONS**

Section 2.1 Definitions. These Bylaws contain the terms “Affiliate” and “Health System.” These terms are also used in the bylaws of the entities comprising the Health System. For purposes of continuity, when used in these Bylaws, such terms shall be interpreted to give full effect to the intent of Article XI of these Bylaws.

A. Affiliate. The term “Affiliate” shall mean, individually, each organization that is controlled, directly or indirectly, by this Corporation or by another organization controlled by this Corporation. As used in this definition, “control” shall mean (a) the status of sole corporate member of an organization; or (b) the authority to appoint, elect or approve at least a majority of the governing body of an organization.

B. Effective Date. The “Effective Date” shall mean the date of adoption of these Bylaws.

C. Health System. “Health System” shall mean, collectively, this Corporation and its Affiliates.

D. Subsidiary. “Subsidiary” shall mean an Affiliate that is under the direct control of another Affiliate.

E. System Authority Matrix. “System Authority Matrix” shall mean the document as in effect from time to time which sets forth the respective responsibilities and authorities for Health System operations and decision making.

F. Other Capitalized Terms. Capitalized terms used in these Bylaws and not otherwise defined herein are used herein with the meanings given them in the California Nonprofit Corporation Law.



## ARTICLE III

### PURPOSES

Section 3.1 Purposes. The purposes of this Corporation are set out in its Articles of Incorporation as in effect from time to time.

## ARTICLE IV

### OFFICES AND SEAL

Section 4.1 Offices. The principal office for the transaction of the business of this Corporation shall be in the County of Santa Clara, State of California. This Corporation may also have an office or offices within or without the State of California, as the Board of Directors may from time to time establish.

Section 4.2 Seal. This Corporation may have a common seal inscribed with the name of this Corporation.

## ARTICLE V

### BOARD OF DIRECTORS

Section 5.1 Powers. Subject to the provisions of this Corporation's Articles of Incorporation, these Bylaws, the System Authority Matrix, and the laws of the State of California, the activities and affairs of this Corporation shall be managed and conducted and all corporate powers shall be exercised by or under the direction of this Corporation's Board of Directors. To facilitate the management and conduct of this Corporation's activities and affairs, the Board of Directors shall establish corporate policies for, and formulate the basic rules and regulations governing the operation and management of, this Corporation. The Board of Directors may delegate the management and conduct of this Corporation's activities and affairs to any person or persons, management company, or committee however composed, provided that no delegation of authority by the Board of Directors to the President and Chief Executive Officer (as defined in Section 7.8 below), or anyone else, shall preclude the Board of Directors from exercising the authority required to meet its governance responsibility for the management and conduct of this Corporation's activities and affairs; and provided further that any delegation of powers of the Board may be made only to a committee of the Board consisting only of directors and shall be subject to the further limitations on Board committees set forth in Section 8.1 of these Bylaws. The Board of Directors shall retain the right to rescind any such delegation.

Section 5.2 Specific Authority of the Board of Directors. Without limiting the generality of the foregoing, the Board of Directors has the power and authority to take or approve the following actions, subject to the System Authority Matrix:

- A. Approve or change the mission, role and/or purpose of this Corporation;

- B. Amend, restate, or repeal the Bylaws and Articles of Incorporation of this Corporation;
- C. Approve the merger, consolidation, reorganization, or dissolution of this Corporation and the disposition of the assets of this Corporation upon dissolution;
- D. Elect and remove the Directors of this Corporation;
- E. Approve any amendment of the approval rights of the Corporation set forth in the System Authority Matrix;
- F. Establish the overall debt limit governing the incurrence of debt and guaranties by this Corporation and its Affiliates and approve the incurrence of debt and guaranties of this Corporation or any of its Affiliates other than in accordance with such policies as in effect from time to time;
- G. Approve the capital and operating budgets of this Corporation;
- H. Establish the criteria for and approve the financial and strategic plans of the Corporation;
- I. Approve the sale, transfer, substantial change in use of the assets of the Corporation to the extent required by the System Authority Matrix; and
- J. Approve the formation by this Corporation of any new corporation or other legal entity, or its participation (excluding investment in publicly-traded securities) in any corporation or other entity as a shareholder, member, partner or joint venturer.
- K. Approve the selection of the external audit firm for the Corporation and its Affiliates; and
- L. Establish and appoint, and prescribe the duties and authorities of the audit, finance, and any other committee for the Health System that would substitute or supersede such committees of the governing bodies of the Affiliates to the extent allowed by applicable law.

Section 5.3 Specific Authority of the Corporation as Sole Corporate Member of Affiliates. The Board of Directors has the power and authority, in the name and on behalf of this Corporation, to take or approve the following actions with respect to its Affiliates, subject to the System Authority Matrix:

- A. Approve the formation, merger, dissolution, consolidation, divestiture, closure, change in corporate membership or control and reorganization of each direct Affiliate of this Corporation;
- B. Appoint and remove the chief executive officer and chairperson of the board of each of the Affiliates;

C. Approve the incurrence of debt and guaranties of any of its Affiliates other than in accordance with such policies as in effect from time to time;

D. Approve the sale, transfer, substantial change in use of the assets of any Affiliate to the extent required by the System Authority Matrix;

E. Approve any other action of this Corporation or any Affiliate controlled by this Corporation that has been established by resolution of the Board of Directors as requiring its approval, including but not limited to any approvals of authority necessary to ensure compliance with any credit agreement, master indenture or loan agreement to which this Corporation or any Affiliate controlled by this Corporation is a party.

Section 5.4 Board of Directors on the Effective Date. The Board of Directors on the Effective Date shall be those persons elected or appointed as specified in Section 2.1(a) of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, this Corporation, and Certain Funds Managed by BlueMountain Capital Management, LLC (“BMCM”) dated July 17, 2015.

Section 5.5 Number and Qualification.

A. Generally. The Board of Directors shall consist of no less than five (5) members, as follows:

(1) BMCM shall have the right to appoint not more than twenty percent (20%) of the number of Directors constituting the Board of Directors at any time (each a “BM Director Appointee”) during the period of time that its affiliate, Integrity Healthcare, LLC (the “Manager”), is providing management services to the Corporation pursuant to a management services agreement; and

(2) the remainder shall be persons nominated by the Nominating Committee as provided in Section 5.4 of these Bylaws and elected by the Board of Directors (the “At-Large Directors”).

B. Qualifications.

(1) At-Large Directors recommended by the Nominating Committee shall be selected in a manner that meets any applicable requirements for the Corporation to maintain its tax-exempt status. Collectively, the At-Large Directors shall have the experience and expertise appropriate to fulfillment of their fiduciary duties as independent directors of a California nonprofit public benefit corporation. In the ordinary course, this means they will have experience in complex business operations and have had involvement in non-profit tax-exempt organizations. They will have exercised judgment in challenging business settings, and will have experience in working with teams in reaching goals. The At-Large Directors shall have demonstrated a willingness to commit support for

the mission of the Corporation and training and experience in matters relevant to service as a member of the Board of Directors through:

- (1) participation in community affairs or in the work of other charitable organizations;
- (2) ability and willingness to contribute to the achievement of the purposes of the Corporation;
- (3) awareness of the objectives of the Corporation as they relate to the health needs of the Corporation's service area; and
- (4) such other criteria as may be recommended to the Nominating Committee by the Board of Directors.

(2) BM Director Appointees and At-Large Directors shall not, either directly or indirectly, personally or through a family member, have any financial relationship with BMCM, or its owned or managed affiliates, and may not serve as an officer, director, contractor or employee of BMCM, any managed fund, or entity in which BMCM has an equity stake or option to purchase, except for public companies wherein BMCM has an interest of less than 10%.

C. Restriction on Interested Directors. Not more than forty-nine percent (49%) of the persons serving on the Board of Directors at any time may be interested persons. An interested person is (i) any person currently being compensated by this Corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor or otherwise, but excluding any reasonable compensation paid to a Director as Director; or (ii) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law or father-in-law of any such person. However, any violation of the provisions of this Section shall not affect the validity or enforceability of any transaction entered into by this Corporation.

Section 5.6 Nomination and Election of At-Large Directors. Candidates for At-Large Directors may be recommended by any member of the Board of Directors to the Nominating Committee, constituted in accordance with Section 8.7 of these Bylaws. Except as otherwise provided in this Section 5.6, and acting by the unanimous consent or vote of all of its members, the Nominating Committee shall nominate At-Large Director candidates to the Board of Directors and the Board of Directors shall elect the Directors of this Corporation at its annual meeting or at any other time designated by the Board of Directors. Notwithstanding the foregoing, if, after taking votes on two candidates for the same Director seat, the Nominating Committee does not vote unanimously for one of two initially considered candidates, then the affirmative vote needed to formally nominate a candidate to the Board of Directors may be by simple majority of the members of the Nominating Committee. The Nominating Committee shall notify the Board of Directors in writing of nominees at least ten (10) business days in advance of any regular or special meeting of the Board of Directors at which Directors are to be

elected. At the next regular or special meeting of the Board of Directors, the Board of Directors shall either elect or reject as an At-Large Director any nominees provided by the Nominating Committee. If any Director positions remain unfilled, the nomination procedure shall be repeated and new names nominated in accordance with the procedures set forth in this Section, until all Director positions are filled.

Section 5.7 Term. Each appointed Director shall hold office for a term of one (1) year or such other period as the Board of Directors may set and until his or her successor is elected or appointed and qualified. Appointed Directors may be reappointed in accordance with Section 5.5(A) of these Bylaws.

Section 5.8 Removal and Filling of Vacancies. Any or all Directors may be removed from office, with or without cause, by the Board of Directors, except that the removal of a BM Director Appointee also requires the agreement of BMCM. The Board of Directors may declare vacant the office of a Director who has been removed; who has been declared of unsound mind by a final order of court or convicted of a felony, or who has been found, by a final order or judgment of any court, to be in breach of any duty owed to the Corporation under California law. In the event a Director shall be so removed or his or her office is declared vacant, a new Director to fill the unexpired term or terms of the Director who was removed or whose office was declared vacant may be appointed by the Board of Directors from nominees selected by the Nominating Committee, except that the vacant seat of a BM Director Appointee can only be filled by a new appointment by BMCM in accordance with Section 5.5(A) of these Bylaws. At all times the Board of Directors shall have not more than twenty percent (20%) of its members appointed by BMCM.

Section 5.9 Resignation. Any Director may resign at any time by delivering her or his resignation in writing to the Chairperson of the Board of Directors, or the Secretary or to the Board of Directors of the Corporation at its principal office; provided that, except upon notice by the Attorney General, no Director may resign if the Corporation would then be left without a duly elected Director or Directors in charge of its affairs. Such resignation shall be effective upon receipt unless specified to be effective at some other time.

Section 5.10 Compensation and Expenses. Directors may receive such reasonable compensation (within the meaning of Internal Revenue Code Section 4958), if any, for serving as Director, and advances or reimbursement for reasonable expenses, as may be fixed or determined by the Board of Directors. Directors may receive compensation from the Corporation for services rendered to it, subject to the restriction on interested Directors as set forth in Section 5.5(C).

Section 5.11 Self-Dealing Transactions. This Corporation shall not enter into self-dealing transactions. Except as provided in Section 5.11(A), for the purpose of this section, a self-dealing transaction means a transaction to which this corporation is a party and in which one or more of the members of its Board of Directors or officers has a material financial interest and which does not meet the requirements of Sections 5.11(B) or 5.11(C). Such a member of the Board of Directors is an "interested director" for the purpose of this section.

A. Exceptions. The provisions of this section do not apply to any of the following:

(1) An action of the Board of Directors fixing the compensation of a member of the Board of Directors as an officer of this corporation.

(2) A transaction which is part of a public or charitable program of this corporation if it (i) is approved or authorized by this corporation in good faith and without unjustified favoritism and (ii) results in a benefit to one or more members of the Board of Directors or their families because they are in the class of persons intended to be benefited by the public or charitable program.

(3) A transaction, of which the interested director or directors have no actual knowledge, and which does not exceed the lesser of one percent of the gross receipts of this corporation for the preceding fiscal year or one hundred thousand dollars (\$100,000).

B. Prior Board of Directors Approval. This Corporation may enter into a self-dealing transaction if all of the following facts are established:

(1) This Corporation entered into the transaction for its own benefit;

(2) The transaction was fair and reasonable as to this Corporation at the time this Corporation entered into the transaction;

(3) Prior to consummating the transaction or any part thereof the Board of Directors authorized or approved the transaction in good faith by a vote of a majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors, and with knowledge of the material facts concerning the transaction and the director's interest in the transaction. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction. Except as provided in Paragraph 5.11(C)(1), action by a committee of the Board of Directors shall not satisfy this paragraph; and

(4) Prior to authorizing or approving the transaction the Board of Directors considered and in good faith determined after reasonable investigation under the circumstances that this corporation could not have obtained a more advantageous arrangement with reasonable effort under the circumstances or (ii) this corporation in fact could not have obtained a more advantageous arrangement with reasonable effort under the circumstances.

C. Subsequent Board of Directors Approval. This corporation may enter into a self-dealing transaction if all of the following facts are established:

(1) A committee or person authorized by the Board of Directors approved the transaction in a manner consistent with the standards set forth in Section 5.11(B);

(2) It was not reasonably practicable to obtain approval of the Board of Directors prior to entering into the transaction; and

(3) The Board of Directors, after determining in good faith that the conditions of subparagraphs (1) and (2) of this Section were satisfied, ratified the transaction at its next meeting by a vote of the majority of the members of the Board of Directors then in office without counting the vote of the interested director or directors. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction.

## ARTICLE VI

### MEETINGS OF THE BOARD OF DIRECTORS

Section 6.1 Place of Meeting. All meetings of the Board of Directors shall be held at the principal office of this Corporation or at such other place as may be designated for that purpose in the notice of the meeting or, if not stated in the notice or there is no notice, at such place as may be set by resolution of the Board.

Section 6.2 Meetings by Telephone or Electronic Communication. Directors may participate in any meeting of the Board of Directors, regular or special, through the use of conference telephone, electronic video screen communication, or electronic transmission by and to the Corporation. Participation in a meeting through conference telephone or electronic video screen communication constitutes presence in person at that meeting so long as all members participating are able to hear one another. Participation in a meeting through electronic transmission other than telephone conference or electronic video transmission constitutes presence at that meeting so long as both of the following apply: (A) each member participating in the meeting can communicate with all of the other members concurrently; (B) each member is provided the means of participating in all matters before the Board of Directors, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the Corporation.

Section 6.3 Annual Meetings. The Board of Directors shall hold an annual meeting for the purpose of organizing the Board, the election of officers, and the transaction of such other business as may come before the meeting. The annual meeting shall be held at such time as the Board may fix by resolution from time to time. No notice of the annual meeting of the Board of Directors need be given.

Section 6.4 Regular Meetings. Regular meetings of the Board of Directors shall be held at such time as the Board may fix by resolution from time to time. No notice of any regular meeting of the Board of Directors need be given.

Section 6.5 Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairperson of the Board or by two (2) or more Directors of this Corporation.

Section 6.6 Notice of Special Meetings. Notice of the time and place of special meetings shall be communicated personally or by telephone to each Director or sent to each Director by mail or other form of written communication, addressed to him or her at his or her address as it is shown on the records of this Corporation. Such notice, if mailed, shall be mailed at least seventy-two (72) hours prior to the time of the meeting, or if delivered personally, telephonically or telegraphically or by e-mail, shall be received at least forty-eight (48) hours prior to the time of the meeting.

Section 6.7 Waiver of Notice. Notice of a meeting need not be given to any Director who signs a waiver of notice or a written consent to hold the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 6.8 Quorum. At all meetings of the Board of Directors, a majority of the then serving Directors, but not less than two (2), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of the Directors present, whether or not a quorum, may adjourn any Directors' meeting to another time and place. The act of a majority of the Directors present at any time at which there is a quorum shall be the act of the Board of Directors, unless a greater number is required by law. Notwithstanding the previous provisions of this Section, the Directors present at a meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, so long as any action taken is approved by at least a majority of the required quorum for such meeting.

Section 6.9 Action Without Meeting. Any action required or permitted to be taken by the Board of Directors under any provision of law, the Articles of Incorporation or these Bylaws may be taken without a meeting if all of the Directors individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as the unanimous vote of such Directors. Any certificate or other document filed on behalf of this Corporation relating to an action taken by the Board without a meeting shall state that the action was taken by written consent of the Board of Directors without a meeting and that the Bylaws of the Corporation authorize its Directors to so act.

Section 6.10 Prohibition Against Voting by Proxy. Directors may not vote by proxy.

## ARTICLE VII

### CORPORATE OFFICERS



Section 7.1 Officers.

A. The officers of this Corporation shall include a Chief Executive Officer and President (“CEO”), Chairperson of the Board, Vice Chairperson of the Board, Chief Financial Officer (“CFO”), and a Secretary, all of whom shall be selected in accordance with the provisions of this Article VII. Any number of such offices may be held by the same person, but neither the Chairperson of the Board nor the President/CEO may serve concurrently as the Secretary or CFO of this Corporation.

B. Except as otherwise set forth in these Bylaws, the officers of this Corporation shall be chosen annually by the Board of Directors and shall hold office until his or her resignation or removal by the Board of Directors or, in the case of the President/CEO and Chief Financial Officer, by the Manager (during any time that the Management Agreement is in effect), other disqualification to serve, or until his or her successor shall be elected and qualified. Notwithstanding any provision to the contrary in these Bylaws, as long as the Management Agreement remains in effect and has not terminated or expired, the Manager (as defined in the Management Agreement) will be obligated to provide an acceptable President/CEO and Chief Financial Officer, all as set forth under the terms and conditions of the Management Agreement, and will have the right to terminate or remove the Chief Executive Officer and President and Chief Financial Officer, without the approval of the Board of Directors. In the event the Manager terminates the President/CEO or Chief Financial Officer, the Manager shall be required to provide a replacement of such officer to be approved by the Board of Directors. The Board of Directors shall have the right to require Manager to replace the President/CEO if the Board of Directors determines, in its sole judgment, that the President/CEO is unacceptable.

C. The Board of Directors may appoint such other officers from among the members of the Board of Directors, such as one or more assistant secretaries or treasurers, as the business of this Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board of Directors from time to time may authorize.

Section 7.2 Removal of Officers. Subject to any consultation or approval requirements under the System Authority Matrix, any officer may be removed, with or without cause, by a majority of Directors then in office, at any regular or special meeting of the Board, except that if an employment agreement is in effect for any officer, its terms shall govern the removal of the officer. Should a vacancy occur in any office as a result of death, resignation, removal, disqualification or any other cause, the Board of Directors may delegate the powers and duties of such office, except as otherwise provided in these Bylaws, to any officer or to any Director until such time as a successor for such office has been elected or appointed. Any officer shall be automatically removed as such an officer upon his or her removal as a Director in accordance with the provisions of Section 5.6 of these Bylaws.

Section 7.3 Chairperson of the Board. The Chairperson of the Board shall be elected from among the Directors and shall have the powers and duties usually associated with such

office. The Chairperson of the Board shall preside over meetings of the Board of Directors, supervise activities of the Board, and serve as an ex-officio voting member of all Board committees.

Section 7.4 Vice Chairperson of the Board. The Vice Chairperson of the Board shall be elected from among the Directors and, in the absence or disability of the Chairperson of the Board, shall perform all duties of the Chairperson of the Board and, when so acting, shall have all powers of and be subject to all restrictions upon the Chairperson of the Board. In the absence of both the Chairperson of the Board and the Vice Chairperson of the Board, the Board shall select one of its members, other than the Secretary or Treasurer, to act as Chairperson of the Board.

Section 7.5 Secretary. The Secretary shall be elected from among the Directors and shall keep or cause to be kept at the principal office or at such other place as the Board of Directors may determine, a book of minutes of all meetings of the Directors, whether annual, regular or special, with the time and place of the meeting, the notice given, the names of those present at the meeting, the proceedings thereat and, if a special meeting, how it was authorized. The Secretary shall give or cause to be given notice of all meetings of the Board of Directors required by these Bylaws or by law. He or she shall keep the corporate seal in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

Section 7.6 Treasurer. The Treasurer shall be elected from among the Directors and shall have the powers and duties usually associated with such office, subject to limitation or extension by the Board of Directors. The Treasurer shall keep and maintain or cause to be kept and maintained adequate and correct accounts of the properties and business transactions of this Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains and losses. The books of account shall at all times be open to inspection by any Director, or the Corporate Member. The Treasurer shall submit or cause to be submitted to the Board of Directors annual statements of receipts and expenditures.

Section 7.7 President and Chief Executive Officer. The President and the Chief Executive Officer shall be the chief executive officer of this Corporation, shall serve as a member of the Corporation's executive team, and shall be an employee of the Corporation, except that during any period that the Management Agreement is in effect he or she shall be an employee of the manager thereunder. Subject to the powers of the Manager (during any time that the Management Agreement is in effect), the President/CEO shall be appointed by and subject to the removal of the Board of Directors. He or she shall report to and be accountable to the Manager (during any time that the Management Agreement is in effect), and report to, be accountable to and subject at all times to the ultimate supervision and authority of the Corporation's Board of Directors, shall have general supervision, direction and control of the business and non-Director officers of this Corporation and shall be held responsible for the proper functioning and management of this Corporation. The President and Chief Executive Officer shall possess the degree of education and experience appropriate to the proper discharge of these responsibilities and, if a management or employment agreement may be in effect, meet all of the requirements set forth in the management or employment agreement. The Board of

Directors shall initiate and conduct periodic performance reviews of the President and Chief Executive Officer. Subject to the direction of the Manager (during any time that the Management Agreement is in effect) and the ultimate supervision and control of this Corporation's Board of Directors, the President and Chief Executive Officer shall organize the administrative functions of this Corporation, delegate duties and establish formal means of accountability on the part of his or her subordinate officers. The President and Chief Executive Officer may be an ex-officio voting member of all Advisory Committees, if so determined by the Board of Directors. He or she shall have the general powers and duties of management usually vested in the chief executive officer under the California Nonprofit Public Benefit Corporation Law and shall have other powers and duties as may be prescribed by this Corporation's Board of Directors, these Bylaws, and the System Authority Matrix.

These powers and duties shall include, but not be limited to, the following:

- A. to support and assist this Corporation in furtherance of its charitable purposes, consistent with the established philosophy and mission of the Health System;
- B. to direct and implement the goals, policies and programs established for the Health System;
- C. to promote a high standard of quality of care provided by the Health System through setting goals and objectives for quality improvement;
- D. to act as the representative of this Corporation to the public as well as to governmental and voluntary organizations;
- E. to make policy proposals to the Board of Directors and the Corporation's executives;
- F. to assume responsibility for strategic planning, financial planning, physical facilities, site development and program planning to meet the health needs of the community;
- G. to report to the Board of Directors and the Corporation's executives on the performance of this Corporation as well as on appropriate federal, state and local developments that affect health care therein;
- H. to attend all meetings of the Board of Directors and committees thereof, except as otherwise determined by the Board of Directors;
- I. to serve on such Advisory Board committees as determined by the Board of Directors;
- J. to assure proper day-to-day administration of this Corporation;

K. to prepare an annual budget and periodically report to the Board of Directors and to the Corporation's executives on this Corporation's financial affairs and condition;

L. in consultation with the Board of Directors, to appoint each Vice President of the Corporation, to set the terms and conditions of employment of the Vice Presidents and to evaluate their performance periodically, to assure the proper selection, employment, control and discharge of employees of the Corporation and the executives and officers of the Affiliates and Subsidiaries, and the development and maintenance of this Corporation's written personnel policies and practices;

M. to assure proper maintenance and to keep the physical properties of this Corporation in a good state of repair; and

N. to assure proper business management of this Corporation so that funds are collected and expended in keeping with sound business practice and with charity.

Section 7.8 Chief Financial Officer. The Chief Financial Officer shall, in coordination with the Treasurer, and according to the direction of the Board of Directors and the President/CEO, keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, and fund balance. The books of account shall at all reasonable times be open to inspection by any Director. The Chief Financial Officer shall deposit all monies and other valuables in the name and to the credit of the Corporation with such depositaries as may be designated by the Board of Directors. He or she shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the President and Chief Executive Officer, or the Directors whenever they request it, an account of all transactions as Chief Financial Officer and of the financial condition of the Corporation, and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws. Subject to the powers of the Manager (during any time that the Management Agreement is in effect), the Chief Financial Officer shall be appointed by and shall be subject to removal by the President and Chief Executive Officer of the Corporation. He or she shall report to and be accountable to the Board of Directors of this Corporation, the President and Chief Executive Officer, and the Manager (during any time that the Management Agreement is in effect).

Section 7.9 Reporting Relationship of Certain Corporate Officers to the Board of Directors. Persons serving from time to time in the positions of Corporate Responsibility Officer and Vice President and General Counsel shall report to and be accountable to the Board of Directors and the President and Chief Executive Officer and each of them shall be entitled to confidential access to the Chairperson and other members of the Board of Directors as necessary or advisable to carry out such person's duties in such position.

Section 7.10 Resignation. Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the

acceptance of the resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

Section 7.11 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

## ARTICLE VIII

### COMMITTEES

#### Section 8.1 Generally.

A. The Board of Directors may by resolution establish (1) Committees of the Board which shall have legal authority to act for this Corporation and, as determined by the Board of Directors, the Health System, and (2) Advisory Committees. Committees may be either standing or special. Members of all committees shall serve at the pleasure of the Board. Any Committee of the Board which shall have legal authority to act for this Corporation, to the extent provided in a resolution of the Board, shall have all authority of the Board, except with respect to:

(1) The approval of any action for which the California Nonprofit Public Benefit Corporation Law or these Bylaws also require approval of a majority of this Corporation's Board of Directors;

(2) The filling of vacancies on the Board of Directors or on any committee that has the authority of the Board;

(3) The amendment or repeal of any resolution of the Board of Directors that by its express terms is not so amendable or repealable;

(4) The appointment of other committees or members thereof;

(5) The approval of any self-dealing transaction, except as provided in Section 5233(d)(3) of the California Nonprofit Public Benefit Corporation Law;

(6) Any decision with respect to the retention or termination of the Chief Executive Officer, approval or amendment of any operating or capital budget, approval of the annual audit, amendment of these Bylaws, any unbudgeted capital expenditure, or any decision with respect to the acquisition, divestiture, sale or other disposition of Corporation's assets, or the creation of any new Corporation liabilities, or the exercise of any reserved power held by the Corporation with respect to any of the Affiliates.

B. The Board of Directors shall have the power to prescribe the manner in which proceedings of any committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless these Bylaws, the Board or such committee shall otherwise provide, the regular and special meetings and other actions of any committee shall be governed by the provisions of Article VII of these Bylaws. Each committee shall keep minutes of its proceedings and shall report the same to the Board from time to time, as the Board of Directors may require. The Board of Directors shall review the charter of each committee governed by a charter at least once every two years.

Section 8.2 Committees of the Board. Only Directors may be appointed as voting members of Committees of the Board. Each Committee of the Board shall consist of five (5) or more Directors, with at least one (1) member of each Committee being a BM Director Appointee. The Chairperson and members of Committees of the Board shall be appointed by the Board of Directors. The Board may designate one or more Directors as alternate members of any such committee, who may replace any absent member at any meeting of the committee.

Section 8.3 Advisory Committees. Advisory Committees may consist of two or more persons and may consist of Directors only, Directors and non-Directors, or non-Directors only, and may include non-voting members and alternate members. The Chairperson and members of Advisory Committees shall be appointed by the Chairperson of the Board or the Board of Directors. Advisory Committees shall have no legal authority to act for this Corporation.

Section 8.4 Executive Committee.

A. There may be an Executive Committee which, if established, shall consist of such members of the Board of Directors as the Board may designate, and shall include at least one BM Director Appointee. The Chairperson of the Executive Committee shall be the person then serving as Chairperson of the Board. The Executive Committee shall have authority to act for this Corporation, subject to the provisions of Section 8.1(A) of these Bylaws, as to those matters which may arise and cannot be handled in the ordinary course of regular or special meetings of the Board of Directors.

B. The establishment of an Executive Committee and the delegation of authority to it shall not operate to relieve the Board of Directors or any individual Director of any responsibility imposed on it or him or her by law, by the Articles of Incorporation of this Corporation or these Bylaws.

C. The Executive Committee shall meet at such times as it deems necessary, provided that reasonable notice of all meetings of the Executive Committee shall be given to its members and no act of the Executive Committee shall be valid unless approved by the vote of a majority, or by the unanimous written consent, of its members.

Section 8.5 Audit Committee. In a fiscal year in which the Corporation's gross revenue is \$2,000,000 or more, the Corporation shall appoint an audit committee (the "Audit Committee"), shall hire an independent auditor, and shall have such auditor prepare an audited

financial statement. Such \$2,000,000 threshold excludes grants received from and contracts and services with government entities for which the governmental entity requires an accounting of funds received.

A. Members. The Audit Committee may include non-Board members, but it may not include any members of the staff, the President/CEO, or the CFO. If the Corporation has a Finance Committee, it shall be separate from the Audit Committee. The Audit Committee may include members of the Finance Committee, but such overlapping members shall constitute less than half of the Audit Committee and the chairperson of the Audit Committee may not be a member of the Finance Committee. Any person who has any material financial interest in any entity doing business with the Corporation may not serve on the Audit Committee. Each member of the Audit Committee shall serve as such until such member's successor shall be appointed by the Board of Directors. In the event that any member of the Audit Committee shall resign or cease to be a Director of the Corporation, the vacancy thus caused shall be filled by the Board. The Audit Committee shall be an Advisory Committee and shall operate in accordance with this Section 8.5 and the charter adopted by the Board of Directors as in effect from time to time. The Audit Committee shall consist of not fewer than three members, all of whom shall be or shall be capable of becoming familiar with basic financial statements and accounting principles, and all of whom shall be deemed by the Board of Directors to be free of any relationship that would interfere with independent judgment. The Audit Committee shall meet at least quarterly, and shall meet at least annually with the outside auditor or auditors of the Corporation in the absence of all members who are employees of the Corporation or any Affiliate controlled by the Corporation.

B. Duties of the Audit Committee. Subject to the supervision of the Board, the Audit Committee shall exercise the following powers, responsibilities, and duties:

- (1) To make recommendations to the Board regarding the appointment, retention, and termination of the independent auditor for the corporation and the Affiliates;
- (2) To negotiate the auditor's compensation;
- (3) To confer with the auditor to satisfy its members that the financial affairs of the corporation and the Affiliates are in order;
- (4) To review the audit and decide whether to accept it; and
- (5) To assure that any non-audit services performed by the auditor conform to the applicable independent standards and to approve such nonaudit services.

C. Compensation. No member of the Audit Committee shall receive compensation for serving on the Audit Committee. An Audit Committee member may be reimbursed for reasonable expenses incurred in attending such meetings.

D. Control by the Board. The Audit Committee shall be subject at all times to the control of the Board, which shall have the power to revise or alter any action taken by the Audit Committee; provided, however, that no rights of third parties shall be affected thereby.

Section 8.6 Financial Statements Must Be Made Available. If the Corporation prepares an audited financial statement (either in accordance with Section 8.5 above or otherwise), such audited financial statement shall be made available for inspection by the California Attorney General and by all members of the public no later than nine months after the close of the relevant fiscal year in the same manner as the corporation's Internal Revenue Service Form 990. Each annual financial statement shall be made available to the public for three years.

Section 8.7 Nominating Committee. The Nominating Committee shall be a standing advisory committee and shall be composed of five (5) Directors appointed by the Chairperson, including one BM Director Appointee. The Nominating Committee shall have the authority and responsibility to:

A. Recruit, screen, and evaluate candidates for Directors of this Corporation and other entities in which the Corporation has the right or power to appoint directors or managers and shall solicit recommendations and input from all Directors, BlueMountain Capital Management, LLC, and Manager for nominees to the Board of Directors;

B. Nominate Director nominees to the Board of Directors, and of other entities for which this Corporation has the right to appoint directors or managers; and

C. Perform such other functions as may be assigned to it by the Board of Directors.

Section 8.8 Executive Compensation Review and Approval. During any period that the President/CEO and CFO are employed by the Corporation, rather than the Manager, the Board, or any authorized Committee of the Board, shall review and approve the compensation, including benefits, of the President/CEO and the CFO to ensure that each such officer's compensation is just and reasonable. Such review and approval shall occur when the officer is initially hired, whenever the officer's term of employment is renewed or extended, and when the officer's compensation is modified, unless such modification applies to substantially all employees.

Section 8.9 Term of Office. The Chairperson and each member of a standing committee shall serve until the next election of Directors and until his or her successor is appointed or until such committee is sooner terminated or until he or she is removed, resigns or otherwise ceases to qualify as a member of the committee. The Chairperson and each member of



a special committee shall serve for the life of the committee unless they are sooner removed, resign or cease to qualify as members of such committee.

Section 8.10 Vacancies. Vacancies on any committee may be filled for the unexpired portion of the term in the same manner as provided in the case of original appointments.

Section 8.11 Quorum. At all committee meetings, a majority of committee members then serving, but not less than three (3), whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that a majority of committee members present, whether or not a quorum, may adjourn any committee meeting to another time and place. The act of a majority of the committee members present at a meeting at which there is a quorum shall be the act of the committee. Notwithstanding previous provisions of this Section, the committee members present at a meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of committee members, so long as any action taken is approved by at least a majority of the required quorum for such meeting.

## ARTICLE IX

### GENERAL PROVISIONS

Section 9.1 Voting Interests. The Corporation may vote any and all shares held by it in any other corporation and may exercise any and all membership rights held by it in any other corporation. Such action shall be undertaken or evidenced on behalf of this Corporation by such officer, agent or proxy as the Board of Directors may appoint or, in default of any such appointment, by the Chairperson of the Board or by an officer who is also a Director and, in such case, such person may likewise appoint a proxy to vote shares.

Section 9.2 Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to this Corporation and any and all securities owned or held by this Corporation requiring signature for transfer shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by the Board of Directors.

Section 9.3 Execution of Contracts. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute any instrument in the name of and on behalf of this Corporation and such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors or by the System Authority Matrix, no officer, agent or employee shall have any power or authority to bind this Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 9.4 Inspection of Corporate Records. The accounting books and records of this Corporation and the minutes of proceedings of this Corporation's Board of Directors and Committees shall be open to inspection upon the written request of any Director at any

reasonable time and for any purpose reasonably related to the interests of the Director. Such inspection may be made in person or by an agent or attorney.

Section 9.5 Annual Report. The Board of Directors shall cause an annual report to be sent to each Director of this Corporation no later than one hundred twenty (120) days after the close of this Corporation's fiscal or calendar year. Such annual report shall be prepared in conformity with requirements of the California Nonprofit Public Benefit Corporation Law.

Section 9.6 Dissolution. The property and assets of this Corporation are irrevocably dedicated to charitable, educational and scientific purposes. Upon the winding up and dissolution of this Corporation, its assets remaining, after payment or adequate provision for payment of all debts and obligations of this Corporation, shall be distributed in accordance with the dissolution provisions set forth in this Corporation's Articles of Incorporation.

Section 9.7 Fiscal Year. The fiscal year of this Corporation shall begin on the first day of July each year and end on June 30th of the following year.

Section 9.8 Review of Bylaws. At least once every two (2) years, the Board of Directors shall review these Bylaws and recommend changes.

## ARTICLE X

### INDEMNIFICATION AND INSURANCE

Section 10.1 Indemnification. To the full extent permitted by law and in the manner provided by law, this Corporation may, and if the law requires it shall, indemnify against liability and hold harmless any person who was or is a party to or is threatened to be a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a Director, officer, employee or agent of this Corporation when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise. The foregoing rights of indemnification shall not be deemed to be exclusive of any other rights to which such person may be entitled under applicable law, and shall continue as to a person who has ceased to be a Director, officer, employee, or agent of this Corporation and shall inure to the benefit of the estate, executors, administrators, heirs, legatees or devisees of any such person to the extent such action, suit or proceeding survives the death of such person.

Section 10.2 Payment of Expenses. This Corporation may pay expenses, including attorneys' fees, incurred in defending any action, suit or proceeding referred to in this Article in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case and as permitted by law.

Section 10.3 Insurance. This Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of this Corporation

when serving in an official capacity on behalf of this Corporation, or is or was serving at the request of this Corporation as a member, director, officer, employee or agent of another corporation, domestic or foreign, nonprofit or for-profit, partnership, joint venture, trust or other enterprise, against any claim or liability asserted against such person and incurred in any such capacity, or arising out of such person's status as such, whether or not this Corporation would be required or would have the power to indemnify such person against such liability under this Article or otherwise.

## ARTICLE XI

### MAINTAINING A UNIFIED HEALTH SYSTEM

Section 11.1 Generally. In order to establish the relationships among organizations in the Health System which are necessary to maintain a unified system, this Corporation shall require that the governing document or documents of any entity of which this Corporation is the sole corporate member or controlling organization contain the following:

- A. Provisions which reserve to this Corporation the powers over such entity, as may be required by applicable Health System policies;
- B. Provisions which reserve to such entity powers over organizations it controls, as may be required by applicable Health System policies; and
- C. Provisions which require such entity to require that the governing document or documents of organizations it controls contain a provision which reserves to this Corporation, the powers set forth in these Bylaws, the governing document or documents of such entity or applicable Health System policies (including the System Authority Matrix). The term "governing document or documents," is used in this Article as a generic form to describe the organizational documents by which an entity is legally formed in a particular state and includes, but is not limited to, articles of incorporation, bylaws, governing resolutions, articles of partnership, joint venture agreements, and any other document which creates or governs the organization or entity.

Section 11.2 Exercise of Reserved Powers. All action by this Corporation as the corporate member or controlling entity of an Affiliate shall be by this Corporation's Board of Directors.

## ARTICLE XII

### GENDER AND NUMBER

Words used herein regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

## ARTICLE XIII

### AMENDMENTS

These Bylaws or any part thereof may be amended or repealed or new Bylaws may be adopted by the affirmative vote of a majority of the Directors then in office.