

**RESTATED
BYLAWS OF
EDEN MEDICAL CENTER**

A California Nonprofit Public Benefit Corporation

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RESTATED
BYLAWS OF
EDEN MEDICAL CENTER
A California Nonprofit Public Benefit Corporation

ARTICLE I.

NAME

The name of this Corporation is Eden Medical Center. This Corporation is a nonprofit public benefit corporation organized under the California Nonprofit Public Benefit Corporation Law. References in these Bylaws to "Corporation" shall mean Eden Medical Center unless otherwise specified.

ARTICLE II.

PRINCIPAL OFFICE AND PLACE OF BUSINESS

The principal office of the Corporation shall be located in or near Castro Valley, Alameda County, California, as may be set by resolution of the Board of Directors of this Corporation (the "Board of Directors or the "Board") from time to time. The principal place of business of the Corporation shall be in or near Eden Township Hospital District, Alameda County, California.

ARTICLE III.

PURPOSE AND ROLE

This Corporation was formed for the purpose set forth in its Articles of Incorporation:

a. To establish, equip and maintain one or more nonprofit hospitals, medical centers, institutions or other places for the reception and care of the sick, injured and disabled, with permanent facilities that include inpatient beds and medical services; to provide diagnosis and treatment for patients; and to provide associated services, outpatient care and home care in furtherance of this Corporation's charitable purposes;

b. To promote and carry on educational activities related to the care of the sick, injured and disabled, or to the promotion of health;

c. To promote and carry out scientific and medical research related to the care of the sick, injured and disabled;

d. To promote or carry out such other activities as may be deemed advisable for the betterment of the general health of the community served; and

e. To contribute to the growth, development and financial strength of Sutter Health, a California nonprofit public benefit corporation, and all its affiliated corporations that comprise a multi-institutional health care system.

ARTICLE IV.

MEMBERS

Section 1. Members.

This Corporation shall have two (2) Members, Eden Township Hospital District, which shall be the "Community Member" and Sutter Health, which shall be the "General Member." Members of nonprofit corporations shall exercise the rights conferred upon members under the California Nonprofit Public Benefit Corporation Law and any other applicable laws, along with the rights set forth in these Bylaws. The rights and powers of the Community Member and the General Member (collectively, "Members") shall include, without limitation, the right to approve the following matters:

a. An amendment or restatement of the Articles of Incorporation of the Corporation;

b. An amendment or restatement of the Bylaws of the Corporation which would materially and adversely affect voting rights of the Community Member;

c. A merger, consolidation, reorganization or dissolution of the Corporation;

d. Any action that would cause the Corporation to cease to operate a hospital under the Corporation's control; and

e. A sale of all or substantially all of the assets of the Corporation.

Section 2. General Member Approvals.

The following actions or items will require the approval of the General Member prior to implementation or becoming effective:

- a. Approval of long-term or material agreements involving more than One Million Dollars (\$1,000,000.00), including borrowings, equity financings or capitalized leases, and agreements involving the sale or disposition of assets which involve the receipt or payment of more than One Million Dollars (\$1,000,000.00);
- b. Approval of the Corporation's strategic plan;
- c. Approval of all amendments to the Corporation's Bylaws which do not materially and adversely affect the voting rights of the Community Member;
- d. Approval of the Corporation's operating and capital budgets; and
- e. Approval of its termination as the General Member of the Corporation.

Section 3. Exercise of Membership Rights by the Members.

Each Member of this Corporation shall exercise its membership rights through its own board of directors. Subject to the provisions of each Member's Bylaws, and except as otherwise provided in these Bylaws where a supermajority vote of the board of directors of a Member is required, the board of directors of a Member may, by resolution, authorize a person or committee of persons to exercise its vote on any matter to come before the membership of this Corporation. In addition, the General Member may exercise its membership rights at any regular or special meeting of the board of directors of the General Member. The functions required by law or these Bylaws to be performed at the annual membership meeting or any regular or special meeting of the General Member of this Corporation may be performed at any regular or special meeting of the General Member's own board of directors.

Section 4. Transfer of Membership.

A Member may not transfer its membership or any rights arising therefrom.

Section 5. Liabilities and Assessments.

The Members, as such, shall not be liable for the debts of this Corporation. The Board of Directors shall have no power to levy and collect assessments on the Members. The provisions of this paragraph cannot be amended in any manner.

Section 6. Voting.

Except as set forth in Section 2 of this Article IV or elsewhere in these Bylaws, matters requiring the Members' approval shall require the approval of both Members. Members shall have equal voting rights on all matters.

ARTICLE V.

BOARD OF DIRECTORS

Section 1. General Corporate Powers.

Except as reserved by the Members and subject to the provisions and limitations of the California Nonprofit Public Benefit Corporation Law and any other applicable laws and subject to any limitations of the Articles of Incorporation or Bylaws, including but not limited to the rights and powers of the Members, the Corporation's activities and affairs shall be managed, and all corporate powers shall be exercised, by or under the direction of the Board of Directors. The Directors of the Corporation (the "Directors") shall exercise their voting rights and fiduciary responsibilities in a fiscally responsible manner consistent with standards of conduct applicable to the directors of a California nonprofit public benefit corporation under California law, and shall further act in good faith at all times to achieve the purposes, goals and objectives of the affiliation between the Community Member and the General Member as set forth in the First Amended Memorandum of Understanding between Eden Township Hospital District, Sutter Health and Eden Medical Center (the "MOU").

Section 2. Specific Powers, Duties and Responsibilities.

Without prejudice to the general powers set forth in Section 1 of this Article V, but subject to the same limitations, the Board of Directors shall have the power to:

- a. Grant or deny medical staff membership and privileges;
- b. Establish, maintain and support quality assurance studies and activities;
- c. Oversee development of programs and services;
- d. Staff and equip the health facilities operated by the Corporation;
- e. Elect the Corporation Board officers;
- f. Approve sales and transfers of certain assets;
- g. Adopt the Corporation's operating capital budgets and strategic plans, and monitor the Corporation's performance against these budgets and strategic plans;
- h. Evaluate the Chief Executive Officer's performance at least annually using criteria-based performance standards;

- i. Review and approve contracts to which the Corporation is a party, including collective bargaining and employment agreements;
- j. Review and amend bylaws and articles of incorporation of any subsidiary corporations that the Board may create to fulfill the charitable mission of the Corporation; and
- k. Monitor the Corporation's compliance in fulfilling regulatory and accreditation requirements.

Section 3. Block Voting Requirement.

The following actions of the Board will require the approval of not less than a majority of the District Directors (as defined in Article V, Section 5), and not less than a majority of the Sutter Directors (as defined in Article V, Section 5), provided that such actions shall not require approval of the Chief Executive Officer ("Block Voting Requirement"):

- a. Review and approval of the Corporation's operating budget;
- b. Review and approval of the Corporation's capital budget;
- c. Review and approval of new programs and services or significant changes in programs and services (including licensure changes) of the Corporation;
- d. Review and approval of closure of programs or services of the Corporation;
- e. Review and approval of the Corporation's strategic plans;
- f. Review and approval of aggregate capital expenditures by the Corporation on an annual basis that exceed approved budgets by ten percent (10%) of the applicable total budget, or unbudgeted expenses of more than One Hundred Thousand Dollars (\$100,000.00);
- g. Review and approval of any of the Corporation's long-term or material agreements including borrowings, equity financings, capitalized leases or a sale or disposition of less than substantially all of the Corporation's assets, which agreements are not governed by the requirements of the Sutter Health Obligated Group Master Indenture or the California Pacific Medical Center Obligated Group Master Indenture and authorized by the powers of attorney granted by this Corporation to Sutter Health and California Pacific Medical Center ("CPMC") at the time this Corporation becomes a member of the Sutter Health Obligated Group and the CPMC Obligated Group;

h. Approval of the names and logos of the Corporation and its hospital programs and services;

i. Appointment of the Corporation's Chief Executive Officer ("CEO").

Section 4. Authorized Number.

The authorized number of voting Directors is eleven (11), including the District Directors, Sutter Directors, and the Ex-Officio Director (as described in Article V, Section 5). The authorized number of non-voting Directors is one (1), and shall be the Non-Voting Ex Officio Director (as described in Article V, Section 5).

Section 5. District Directors, Sutter Directors, and Ex-Officio Directors.

The directors of the Community Member (Eden Township Hospital District) are hereby designated as Directors of the Corporation with voting rights. These Directors shall be referred to as the "District Directors." The District Directors shall continue in office as Directors of the Corporation for as long as such Directors hold their respective offices as directors of the Eden Township Hospital District.

The directors of the General Member are hereby designated as Directors of the Corporation with voting rights. These Directors shall be referred to as "Sutter Directors." The Sutter Directors shall be elected by the General Member and shall continue in office as Directors of the Corporation for the term of their appointment or reappointment at the discretion of the General Member.

The Chief Executive Officer shall be an ex-officio director (the "Ex-Officio Director") with voting rights, except as limited under Section 3 of this Article V.

The President of the Medical Staff shall be an ex-officio director without voting rights.

Section 6. Appointment and Term of Office.

The District Directors shall serve as Directors of the Corporation and their terms shall correspond to their terms in office as directors of Eden Township Hospital District, which is a four-year term unless reelected. The terms of the Sutter Directors shall be for 2 years. The terms of the District Directors and the Sutter Directors shall be staggered. In order to effect staggered terms, the initial Sutter Directors may have shorter terms than two years. The Sutter Directors shall be elected by the General Member at the General Member's annual meeting. No Sutter Director shall serve for more than five consecutive two-year terms. (A partial term shall not be counted as a term for this limitation.) The Chief Executive Officer shall continue in office as Ex-Officio Director of the Corporation for the term of his or her tenure as Chief Executive Officer. The President of the Medical Staff shall continue in office as a

Non-Voting Ex-Officio Director of the Corporation for the term of his or her tenure as President of the Medical Staff.

Section 7. Restriction of Interested Persons as Directors.

No more than forty-nine percent (49%) of the persons serving on the Board at any time may be interested persons. An interested person is:

a. Any person compensated by the 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, excluding any reasonable compensation paid to a Director as Director; and

b. 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 such person.

However, any violation of the provisions of this Section 7 shall not affect the validity or enforceability of any transaction entered into by the Corporation.

Section 8. Filling Vacancies.

In the event of a vacancy involving the office of a Sutter Director, the General Member shall fill the vacancy by appointing a successor. In the event of a vacancy involving the office of a District Director, said vacancy shall be filled by the individual elected or appointed to fill the vacant position on the Board of Directors of the Community Member. In the event of vacancies involving the Ex-Officio Director and the Non-Voting Ex-Officio Director (collectively, the "Ex-Officio Directors"), said vacancies shall be filled by the individuals appointed to fill each respective position.

Section 9. Compensation and Reimbursement.

Directors shall serve without compensation except for reimbursement for reasonable personal expenses and as otherwise specifically provided by a resolution of the Board. Directors may be reimbursed for all out-of-pocket expenses incurred in attending meetings and carrying out duties and functions directly related to the Corporation's business. In keeping with the nonprofit status of the Corporation, no Director shall benefit financially from his/her position as a Director.

Section 10. Conflict of Interest.

The Board shall promulgate written policies regarding conflict of interest related to Directors, salaried persons of the Corporation, officers of the Medical Staff, any physician who holds a medico administrative position within the Corporation or has a contract to provide professional services. Such policies shall not be inconsistent with the standards of conduct set forth in Sections 5230 through 5239 of

the California Corporations Code, or successor provisions. Such policies shall ensure full disclosure of financial interests and transactions where conflict of interest is a possibility, and shall ensure the avoidance of potential conflict of interest in choosing new Directors. Such policies shall impose upon each Director the responsibility to be alert to possible conflicts of interest of himself/herself or of other Directors, and shall require that each Director declare his/her absence of conflict of interest on a declaration form provided for that purpose and disqualify himself/herself from making a decision where he/she has a conflict of interest.

Section 11. Qualifications of Board Members.

District Directors shall be voting citizens of Eden Township Hospital District and eligible to hold District office. Sutter Directors shall be qualified by their education, experience, and training and shall fulfill the appointment criteria developed by the General Member. The Ex-Officio Directors shall be qualified by their special training and experience. In addition, the President of the Medical Staff shall fulfill the requirements for appointment and election contained in the Medical Staff Bylaws, Rules and Regulations. Medical Staff members shall be eligible for membership on the Board of Directors unless prohibited by law.

ARTICLE VI.

DIRECTORS' MEETINGS

Section 1. Annual Organizational Meetings of the Board

Annually, no later than thirty (30) days following each annual membership meeting, the Board shall meet for the purpose of electing the officers, and the members and chairs of committees.

Section 2. Regular Meetings of the Board.

Regular meetings of the Board shall be held at least quarterly at such time and place as the Board shall from time to time determine.

Section 3. Special Meetings of the Board.

Special meetings of the Board may be called at any time by the Chair of the Board, any two (2) Directors or either of the Members.

Section 4. Quorum.

A majority of the authorized number of Directors presently serving and empowered to vote shall constitute a quorum for the transaction of business, except to adjourn. Subject to the Block Voting Requirement set forth in Article V, Section 3, above,

every action taken or decision made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be the act of the Board, subject to the more stringent provisions of the California Nonprofit Public Benefit Corporation Law, including, without limitation, those provisions relating to:

- a. Approval of contracts or transactions in which a Director has a direct or indirect material financial interest;
- b. Approval of certain transactions between corporations having common directorships;
- c. Creation of and appointments to committees of the Board; and
- d. Indemnification of Directors.

A meeting at which a quorum is initially present may continue to transact business, despite the withdrawal of Directors, if any action taken or decision made is approved by at least a majority of the required quorum for that meeting.

Section 5. Waiver of Notice.

Unless otherwise restricted by law, notice of a meeting need not be given to any Director who, either before or after the meeting, signs a waiver of notice, a written consent to the holding of the meeting, or an approval of the minutes of the meeting. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meetings. Notice of a meeting need not be given to any Director who attends the meeting and does not protest, before or at the commencement of the meeting, the lack of notice to him or her.

Section 6. Adjournment

A majority of the Directors present, whether or not a quorum is present, may adjourn any meeting to another time and place.

Section 7. Notice of Adjourned Meeting.

Unless otherwise restricted by law, notice of the time and place of holding an adjourned meeting need not be given unless the original meeting is adjourned for more than 24 hours. If the original meeting is adjourned for more than 24 hours, notice of any adjournment to another time and place shall be given, before the time of the adjourned meeting, to the Directors who were not present at the time of the adjournment.

ARTICLE VII.

OFFICERS

Section 1. Officers of the Corporation.

The officers of the Corporation shall be a Chair, a Vice Chair, a Secretary, a Chief Executive Officer, and a Chief Financial Officer. The Chair, Vice Chair, and a Secretary shall be non-ex-officio members of the Board. The Corporation may also have, at the Board's discretion, one or more Assistant Secretaries and such other officers as may be appointed in accordance with Section 3 of this Article VII. Any number of offices may be held by the same person, except that no individual may serve concurrently as both Chair and Vice Chair or Secretary and Chief Financial Officer.

Section 2. Election of Officers.

The Chief Executive Officer shall be jointly chosen by the Members. The officers of the Corporation, except those appointed under Section 3 of this Article VII, shall be chosen annually by the Board and shall serve at the pleasure of the Board, subject to the rights, if any, of any officer under any contract of employment.

Section 3. Other Officers.

The Board may appoint and may authorize the Chair of the Board to appoint any other officers that the Corporation may require. Each officer so appointed shall have the title, hold office for the period, have the authority, and perform the duties specified in the Bylaws or determined by the Board.

Section 4. Removal of Officers.

Without prejudice to any rights of an officer under any contract of employment, any officer may be removed with or without cause by the Board and also, if the officer was not chosen by the Board, by any officer on whom the Board may confer that power of removal.

Section 5. Resignation of Officers.

Any officer may resign at any time by giving written notice to the Corporation, subject to the rights, if any, of the Corporation under any contract to which the officer is a party. The resignation shall take effect as of the date the notice is received or at any later time specified in the notice and, unless otherwise specified in the notice, the resignation need not be accepted to be effective.

Section 6. Vacancies in Office.

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.

RESPONSIBILITIES OF OFFICERS

Section 1. Chair.

The Chair shall preside at meetings of the Board, shall have, subject to the advice and control of the Board of Directors, general responsibility for management of the affairs of the Corporation during his/her term of office, shall make appointments to committees, and shall exercise and perform such powers and duties as the Board may assign from time to time. The Chair shall be an ex-officio member of all committees.

Section 2. Vice Chair.

The Vice Chair shall have such powers and perform such duties as may be assigned to him/her by the Board or these Bylaws. The Vice Chair, in the absence or inability of the Chair of the Board to act, shall have the same powers and duties as the Chair and shall have, in addition, any powers and duties that the Chair from time to time delegates to him/her.

Section 3. Secretary.

The secretary shall keep or cause to be kept, at the Corporation's principal office or such other place as the Board may direct, a book of minutes of all meetings, proceedings, and actions of the Board, and of committees of the Board. The minutes of meetings shall include the time and place that the meeting was held, whether the meeting was annual, regular, or special, and, if special, how authorized, the notice given, and the names of those present at Board and committee meetings. Such minutes shall include all waivers of notice, consents to the holding of meetings or approvals of the minutes of meetings executed pursuant to these Bylaws or the California Nonprofit Public Benefit Corporation Law. The Secretary shall give, or cause to be given, notice of all meetings of the Board required by these Bylaws or the California Nonprofit Public Benefit Corporation Law to be given. The Secretary shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

Section 4. Assistant Secretary.

An Assistant Secretary, if there shall be such an officer, shall have all the powers and perform all the duties of the Secretary in the absence or inability of the Secretary to act. An Assistant Secretary shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

Section 5. Chief Executive Officer.

The Chief Executive Officer shall be a voting ex-officio member of the Board of Directors. The Chief Executive Officer shall act as the duly authorized representative of the Board of this Corporation in all matters in which the Board has not formally designated some other person to so act. The Chief Executive Officer shall be given the necessary authority and responsibility to operate this Corporation in all of its activities. The Chief Executive Officer shall be an employee of the Corporation.

Section 6. Chief Financial Officer.

The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the Corporation's properties and transactions. The Chief Financial Officer shall send or cause to be given to the Directors such financial statements and reports as are required to be given by law, by these Bylaws, or by the Board. The books of account shall be open to inspection by any Director at all reasonable times.

The Chief Financial Officer shall deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the Corporation with such depositories as the Board may designate, shall disburse the Corporation's funds as the Board may order, shall render to the Chief Executive Officer, Chair of the Board, and the Board, when requested, an account of all transactions as Chief Financial Officer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as the Board or the Bylaws may prescribe. The Chief Financial Officer shall be an employee of the Corporation.

ARTICLE IX.

COMMITTEES

Section 1. Special Committees.

Special committees and the chair thereof may be appointed by the Board Chair with the consent of the Board for such special tasks as circumstances warrant. If such special committees are appointed to deal with Medical Staff issues, one or more physicians shall be appointed to such special committees. Such special committees shall limit their activities to the accomplishment of the ad hoc task for which

created and appointed, and shall have no power to act except such as is specifically conferred by the action of the Board of Directors. Upon completion of the ad hoc task for which appointed, such special committee shall stand discharged. Minutes of special committee meetings shall be distributed in a timely manner to all Board members.

Section 2. Standing Committees.

Standing Committees and the chair thereof may be appointed by the Board Chair when such standing committees are deemed necessary. Such standing committees shall limit their activities to the accomplishment of the purpose for which they were created and appointed. Said standing committees, as may be created, shall be discharged by motion duly made and passed by the Board of Directors. Minutes of standing committee meetings shall be distributed in a timely manner to all Board members. Special consideration shall be given to the creation of Standing Committees that fulfill the specific objectives of the General Member for the benefit of all affiliated organizations.

ARTICLE X.

SYSTEM AFFILIATION

Section 1. Affiliated Status.

This Corporation is one of several affiliated corporations that comprise an integrated healthcare system ("System").

Section 2. Participation in Activities of the General Member.

The Board of Directors shall submit nominees to the General Member in order to enable the General Member to appoint members of this Corporation's Board or officers of this Corporation to serve on the General Member's corporate board of directors and/or its board committees as appropriate to ensure the General Member's continued qualification as a supporting organization under Section 509 of the Internal Revenue Code of 1986, as amended from time to time, or successor provisions. In addition, representatives of this Corporation shall participate in System processes which are designed to provide these representatives with appropriate opportunities to participate in systemwide policy decisions that affect this Corporation, including but not limited to conflict resolution processes.

Section 3. System Policies.

This Corporation shall participate in the following System policies prescribed by the General Member, subject to all agreements with and obligations to third parties and/or a Member (including, without limitation, bond indentures), to which this

Corporation is a party or is bound at the time this provision is adopted or which are otherwise approved by the General Member after the adoption of this provision:

- a. The Cash Concentration and Controlled Disbursement Program prescribed by the General Member and in effect from time to time;
- b. The Excess Cash Transfer Policy contained in Exhibit 1 to these Bylaws and incorporated into and made part of these Bylaws; provided, however, that neither donor originated funds nor the earnings therefrom shall be subject to the Excess Cash Transfer Policy;
- c. The Cost of Capital Allocation Policy prescribed by the General Member and in effect from time to time; and
- d. The System Allocation Policy as modified by Section 5.7 of the MOU, which requires the payment by the Corporation of allocation fees necessary to maintain the operation of the General Manager.

Section 4. Policies Required of Affiliated Entities.

Except for tax-exempt entities which are primarily fundraising foundations, this Corporation shall prescribe the policies described in Section 3 of this Article X to the tax-exempt entities which this Corporation owns or controls or of which this Corporation is a member. As to those entities, the policies shall be subject to all agreements with and obligations to third parties, healthcare districts and any other member of the affiliated entity (including without limitation bond indentures) to which the entity is a party or is bound at the time this provision is adopted or which are otherwise approved by the General Member after the adoption of this provision.

ARTICLE XI.

PROVISION OF MEDICAL CARE

Section 1. Responsibility for Medical Care.

a. The Board is responsible for the quality of medical care rendered in the Corporation's facilities. It shall discharge that responsibility by assuring that the organized Medical Staff carries out the specific quality control functions in accordance with guidelines established by the System's Systemwide Quality Review Committee, including, without limitation, the following:

1. Reviewing, analyzing and evaluating clinical practice to determine the quality of medical care;

2. Making recommendations to management and the Board for establishment, maintenance, continuing improvement and enforcement of professional standards;

3. Reporting regularly as required on the quality of medical care in terms of professional standards;

4. Recommending the appointment and reappointment of physicians to the Medical Staff and the delineation of their clinical privileges;

5. Supervising and ensuring:

(a) Compliance with the Medical Staff Bylaws, and the Rules and Regulations for the Medical Staff (the "Rules"); and

(b) Carrying out the policies of the Eden Medical Center (the "Hospital") concerning the functions outlined in the Medical Staff Bylaws;

6. Disciplining the members of the Medical Staff for violations of policies of the Hospital and the Medical Staff Bylaws and Rules within the limitations of the authority delegated by the Board;

7. Assisting in identifying community health needs and setting appropriate institutional goals to meet those needs; and

8. Conducting formally structured ongoing programs of continuing medical education designed to meet the highest professional standards of care.

b. The President of the Medical Staff shall be responsible for the effective discharge of functions to be carried out by the Medical Staff.

c. The President of the Medical Staff shall have the authority necessary to carry out his/her responsibilities as they are defined in the Medical Staff Bylaws.

d. The President of the Medical Staff shall work with the Chief Executive Officer.

e. The Board shall be responsible for:

1. Making all appointments and reappointments to the Medical Staff and alterations of staff status;

2. Granting clinical privileges;

3. Disciplinary actions; and

4. All matters relating to Medical Staff professional competence.

f. In discharging these responsibilities, the Board shall assure that the safety and interest of the patients take precedence over all other concerns.

g. The Board shall, through the Medical Staff organization and the functions assigned to it, maintain systems for:

1. The establishment of professional standards and criteria by which to evaluate medical care;

2. The continuing surveillance of professional practice and Medical Staff functions in order to determine the degree to which those professional standards and criteria are being met; and

3. Gaining compliance with the predetermined standards and criteria when the system of surveillance indicate they are not being met.

h. No delegation to the Medical Staff shall preclude the Board from exercising the authority required to meet its responsibilities under these Bylaws.

i. Nothing in these Bylaws or the System's guidelines or policies shall prevent this Corporation from adopting and implementing higher standards than those recommended by the System's Systemwide Quality Review Committee.

ARTICLE XII.

MEDICAL STAFF

Section 1. Medical Staff.

The Medical Staff shall be organized in accordance with the Medical Staff Bylaws, which shall be known as Bylaws of the Medical Staff of Eden Medical Center. Subject to the oversight responsibility and ultimate authority of the Board, the Medical Staff shall govern its own affairs, elect its own officers, and conduct meetings in accordance with the Medical Staff Bylaws.

Section 2. Medical Staff Membership.

Membership on the Medical Staff is a privilege, not a right, which shall be extended only to professionally competent physicians, surgeons, dentists, podiatrists and, where required by California law, clinical psychologists ("practitioners") licensed to practice in this State whose education, training, experience, demonstrated competence, references, and professional ethics assure, in the judgment of the Board of Directors, that any patient admitted to, or treated in, the Hospital will be given high quality professional care. Each applicant and member (including any physician

appointed to an administrative position with clinical responsibilities) shall agree to abide by the Corporation's Bylaws and Medical Staff Bylaws, including its Rules.

Section 3. Medico-Administration Positions.

The Board of Directors may, by contract, appoint physicians to medico-administrative positions within the Hospital. The duties of such physicians shall be defined in writing. Any such physician appointed by the Board of Directors shall apply for, and shall have been granted, membership on the Medical Staff pursuant to the Medical Staff Bylaws and Rules before performing any such services. As permitted by law, the Medical Staff membership and clinical privileges of any physician appointed to an administrative position shall also be subject to the terms and conditions of his/her contract in all matters covered by said contract. Unless the contract provides otherwise, only those privileges made exclusive or semi-exclusive to the holder of a closed staff or a limited staff's specialty department contract will automatically terminate, without the right of access to the due process and hearing procedures of the Medical Staff Bylaws, with the termination of the contract. It shall further be the responsibility of any physician, surgeon, dentist or podiatrist, who is engaged as an independent contractor in a medico-administrative position by the Hospital, to provide in the agreement that he/she has with his/her physician or Allied Health Professional employees, subcontractors and the like that their privileges, which are made exclusive or semi-exclusive to the holder of the contract, are also subject to automatic termination upon termination of the contract. Provided however, that no privileges or medical staff membership may be terminated based upon medical disciplinary cause or reason (as defined in California Business and Professions Code section 805(a)(6) or its successors) without affording the practitioner the hearing rights provided in the Medical Staff Bylaws.

Section 4. Exclusion from the Medical Staff.

a. The Board of Directors shall have the power to exclude from Medical Staff membership, to deny reappointment to the Medical Staff, or to restrict the privileges of any practitioner, whether a general practitioner or specialist, in any hospital operated by the Corporation, who has not exhibited that standard of experience, training, demonstrated competence and ability, judgment, and physical and mental health status, which will assure, in the judgment of the Board of Directors, that any patient admitted to or treated in the Hospital will be given high quality professional care.

b. The Board of Directors shall have the power to exclude from Medical Staff membership, to deny reappointment to the Medical Staff, or to restrict the privileges of any practitioner, whether a general practitioner or specialist, in any hospital operated by the Corporation, who has not demonstrated, by his/her actions or on the basis of documented references, a willingness to adhere strictly to the lawful ethics of his/her profession, to work cooperatively with others in the

hospital setting and to be willing to participate in and properly discharge staff responsibilities.

c. In the case of both general practitioners and specialists, the medical resources available in the field of his/her practice shall be considered in determining the skill and care required. No practitioner shall be entitled to membership on the Medical Staff, or to the enjoyment of particular privileges, merely by virtue of the fact that he/she is duly licensed to practice his/her profession in this or any other state, or that he/she is a member of some professional organization, or that he/she has in the past, or presently has, such privileges at another hospital. In accordance with the provisions of California Business and Professions Code section 809.3 or successor provisions, the burden shall be on the applicant to establish that he/she possesses the requisite professional and ethical qualifications.

d. In order to qualify for initial or continuing Medical Staff membership and privileges, any practitioner must clearly establish that he/she has obtained and maintains suitable professional liability coverage.

1. The required professional liability coverage shall consist either of (a) a qualifying policy of professional liability insurance issued by an insurer enjoying a certificate of authority from the California Insurance Commissioner and subject to the regulatory authority of the Department of Insurance or (b) confirmation that the practitioner participates in a qualifying inter-indemnity, reciprocal, or inter-insurance cooperative corporation supervised by the California Commissioner of Corporations.

2. The minimum limits and other similar terms for professional liability coverage shall be established from time to time, by the Board of Directors, taking into account any recommendations by the Medical Staff Executive Committee, and these limits and other terms may recognize distinctions among the various clinical specialties.

3. Any applicant for membership or privileges who fails to meet this requirement shall be so advised in writing, as shall any practitioner who currently enjoys membership or privileges. Thereafter, an applicant who fails to satisfy this coverage requirement shall be deemed to have withdrawn his/her application, and shall not be entitled to further credentialing consideration. Likewise, the current privileges of any practitioner who fails to satisfy this coverage requirement shall be automatically suspended. Furthermore, that practitioner will be deemed to have resigned from the Medical Staff and to have relinquished all privileges should the requirement not be satisfied within six (6) months of the date of commencement of the suspension.

4. Any such automatic suspension, resignation, relinquishment, or withdrawal of any application, or any consequent denial, suspension, or

termination of membership or privileges, shall not afford the practitioner any right to a hearing or appellate review of the types described in the Medical Staff Bylaws and these Bylaws.

Section 5. Medical Staff Membership.

The Medical Staff Bylaws and Rules shall set forth the procedure by which eligibility for Medical Staff membership and establishment of professional privileges shall be determined. The Medical Staff Bylaws and Rules shall provide that the Medical Staff or a committee or committees thereof shall study the qualifications of all applicants in the establishment of professional privileges and shall submit to the Board of Directors recommendations thereon. The Board shall give great weight to such recommendations and, in no event, shall act in an arbitrary or capricious manner.

Section 6. Time Periods for Processing Application.

Applications for appointments to the Medical Staff shall be considered in a timely and good faith manner. Except for good cause, the Board of Directors shall review the application, take action thereon, and notify the applicant within forty-five (45) days after receiving the final recommendation of the Medical Staff. The time period specified herein is to assist the Board of Directors in accomplishing its task and shall not be deemed to create any right for the applicant to have his/her application processed within that period.

Section 7. Medical Staff Hearing and Appeal Procedures.

The Medical Staff Bylaws shall provide procedures for hearing of appeals from decisions regarding privileges of applicants for Medical Staff membership, or matters pertaining to privileges of Medical Staff members. Such procedures shall insure that the practitioner who deems himself/herself offended shall have full opportunity to have his/her case reviewed by members or committees of the Medical Staff or other physicians qualified to pass upon the issues and render such decisions, and to have his/her case reviewed by the Board of Directors .

ARTICLE XIII.

ALLIED HEALTH PROFESSIONAL

The Board of Directors shall create a separate allied health professional status for practitioners who are not employed by the Corporation and are not eligible for Medical Staff membership, but who are nonetheless allowed to provide patient care services on the Hospital's premises. The Board shall (1) establish procedures for determining whether a particular category or class of practitioners will be permitted to practice at the Hospital in allied health professional status; and (2) ensure, through the Medical Staff or other appropriate mechanism, that procedures are

established for the credentialing and review of individual practitioners from admitted classes or categories who apply for or maintain allied health professional status, or who otherwise practice, at the Hospital.

ARTICLE XIV.

BONDING AND INDEMNIFICATION

Section 1. Bonding.

All officers and employees handling funds shall be properly bonded.

Section 2. Right of Indemnity.

To the fullest extent permitted by law, this Corporation shall indemnify its Directors, officers, employees, and other persons described in section 5238(a) of the California Corporations Code, including persons formerly occupying such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that section, and including an action by or in the right of the Corporation, by reason of the fact that the person is or was a person described in that section.

"Expenses," as used in this Bylaw, shall have the same meaning as in section 5238(a) of the California Corporations Code.

Section 3. Approval of Indemnity.

On written request to the Board by any person seeking indemnification under section 5238(b) or section 5238(c) of the California Corporations Code, the Board shall promptly determine under section 5238(e) of the California Corporations Code whether the applicable standard of conduct set forth in section 5238(b) or section 5238(c) has been met and, if so, the Board shall authorize indemnification.

Section 4. Advancement of Expenses.

To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under Sections 2 and 3 of this Article XIV in defending any proceeding covered by those Sections shall be advanced by the Corporation before final disposition of the proceeding, on receipt by the Corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Corporation for those expenses.

Section 5. Insurance.

The Corporation shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its officers, Directors, employ any officer,

Director, employee, or agent in such capacity or arising out of the officer's, Director's employee's, or agent's status as such.

ARTICLE XV.

RECORDS, REPORTS AND INSPECTION RIGHTS

Section 1. Maintenance of Articles and Bylaws.

The Corporation shall keep at its principal office the original or copies of the Articles of Incorporation and the Bylaws as amended to date.

Section 2. Maintenance of Other Corporation Records.

The accounting books, records and minutes of proceedings of the Board and committees of the Board shall be kept at such place or places designated by the Board, or, in the absence of such designation, at the principal office of the Corporation. The minutes shall be kept in written or typed form, and the accounting books and records shall be kept in either written or typed form, or in any other form capable of being converted into written, typed or printed form.

Section 3. Inspection by Directors or Members.

Except as otherwise limited by law, every Director and each Member shall have the absolute right at any reasonable time to inspect all books, records and documents of every kind and the physical properties of the Corporation. This inspection by a Director or either Member may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

Section 4. Annual Report.

The fiscal year of this Corporation shall end on the 31st day of December of each year. The Corporation shall provide to the Directors, within one hundred twenty (120) days after the close of its fiscal year, a report containing the following information in reasonable detail:

- a. The assets and liabilities, including the trust funds, of the Corporation as of the end of the fiscal year;
- b. The principal changes in assets and liabilities, including trust funds, during the fiscal year;
- c. The revenue or receipts of the Corporation, both unrestricted and restricted to particular purposes, for the fiscal year;

d. The expenses or disbursements of the Corporation, for both general and restricted purposes, during the fiscal year;

e. Any information required by the California Nonprofit Public Benefit Corporation Law regarding transactions with interested persons and indemnifications; and

f. The report shall be accompanied by any report by independent accountants, or, if there is no such independent report, a certificate to the effect that the report was prepared without audit.

ARTICLE XVI.

CONSTRUCTION AND DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California Nonprofit Public Benefit Corporation Law shall govern the construction of these bylaws. Without limiting the generality of the preceding sentence, the masculine gender includes the feminine and neuter, the singular includes the plural, the plural includes the singular, and the term "person" includes both a legal entity and a natural person.

ARTICLE XVII.

EXECUTION OF DOCUMENT

The following persons shall be authorized to execute any deeds, mortgages, bonds, contracts or other instruments which the Board has authorized:

a. Any officer or other person duly authorized by resolution of the Board to execute documents; or

b. In the absence of express authorization by Board resolution, the Chair or Chief Executive Officer, and the Secretary or any Assistant Secretary (all subject to such limitations as may be imposed by resolution of the Board).

ARTICLE XVIII.

AMENDMENTS

These Bylaws may be amended or new Bylaws may be adopted by action of the Board at any regular meeting of the Board or at any special meeting called for that purpose. Amendments to these Bylaws shall not be effective unless and until approved by the Members as set forth in these Bylaws.

EXHIBIT 1

[Signature]
Signature

1-1-96
Origination Date

Revised Date

Next Review Date

**SUTTER/CHS
EXCESS CASH TRANSFER POLICY**

I. Policy

Excess Operating Cash may be transferred from Affiliated Entities to Sutter/CHS. Transfers from Sutter/CHS to Affiliated Entities may be made where (A) such transfers are determined to be in the best interests of the Sutter/CHS system and (B) the Affiliated Entity has adopted this Policy, or otherwise incorporated this Policy into its bylaws, and (C) the transfer is not otherwise prohibited by pre-existing contractual obligations.

Sutter/CHS shall ensure that each respective Affiliated Entity's Funded Depreciation (including seismic funds) shall be used to fund that Affiliated Entity's routine and non-routine capital acquisitions, and will ensure that trustee funds will be used for their authorized purposes.

Sutter/CHS shall ensure that operating funds are available to Affiliated Entities sufficient to fund their approved operating and capital budgets.

Donor-originated funds are specifically excluded from this policy.

II. Purpose

The purpose of this Policy is to enable Sutter/CHS to optimize the strategic value of available capital resources for the benefit of the system and of individual Affiliated Entities. Each Non-profit Sutter/CHS Affiliated Entity shall adopt this Policy, thus providing the system with maximum flexibility to redeploy cash resources to meet approved system strategic objectives.

III. Definitions

Excess Operating Cash

Operating cash generated by each Affiliated Entity, over and above its Target.

Target

Each Affiliated Entity's operating cash Target shall consist of: Fourteen days of budgeted operating expenses, excluding depreciation.

**SUTTER/CHS
EXCESS CASH TRANSFER POLICY**

Continued

Page 2 of 2.

Funded Depreciation

Cash designated by an Affiliated Entity Board for future property, plant and equipment needs. Such designations are subject to:

1. Medicare regulations, which restrict the potential uses of such funds.
2. Sutter/CHS Board approval.
3. An aggregate limitation on the amount of such funds; such funds may not exceed the respective Affiliated Entity's accumulated depreciation.

Donor-originated Funds

Cash or other donated property received by, or due to, an Affiliated Entity or associated charitable foundation, which has not been spent.

IV. Authorization

The Sutter/CHS Chief Financial Officer may authorize transactions and establish routine practices in accordance with this Policy. Sutter/CHS will provide periodic reports to each Affiliated Entity reflecting transactions executed in accordance with this Policy.

**SUTTER/CHS
EXCESS CASH TRANSFER POLICY**

Operating Procedures

- A. **Operating Cash in excess of a ceiling of fourteen days of Budgeted Operating Expenses, excluding depreciation/amortization expense, may be transferred from each non-profit Sutter/CHS Affiliated Entity's account in the Operating Cash Investment Pool to Sutter/CHS.**
- B. **In cases where an Affiliate's operating cash drops below a floor of five days of Budgeted Operating Expenses as defined, Sutter/CHS will transfer operating cash into the Affiliate's account in the Operating Investment Pool up to the five day floor.**
- C. **Other transfers from Sutter/CHS to Affiliated Entities may be made where such transfers are determined to be in the best interests of the Sutter/CHS system and the Affiliated Entity has adopted this Policy, or otherwise incorporated this Policy into its bylaws, and/or the transfer is not otherwise prohibited by pre-existing contractual obligations.**