

APPENDIX A

4. Organizational Documents. Attach as Appendix A all organizational documents relating to the Public Benefit Hospital filing this Request. Include organizational documents for all Affiliates. For the purposes of this Request, “organizational documents” means the charter, articles of incorporation, bylaws, or any other governing document of the Public Benefit Hospital, and any and all amendments to each such governing document.

Index

Mountain States Health Alliance Organizational Documents

1. Charter Documents (Full Charters and Material Amendments)

- Initial Filing, April 12, 1945
- Articles of Amendment, April 6, 1983
- Articles of Amendment, January 7, 1999
- Articles of Amendment, August 18, 2006
- Amended and Restated Charter, August 2, 2011
- Second Amended and Restated Charter, April 29, 2013

2. Bylaws

- Bylaws, Johnson City Medical Center Hospital, January 25, 1999
- Bylaws, MSHA, March 17, 2000
- Bylaws, MSHA, February 8, 2002
- Bylaws, MSHA, December 6, 2002
- Bylaws, MSHA, March 5, 2004
- Bylaws, MSHA, December 2, 2005
- Bylaws, MSHA, January 5, 2007
- Bylaws, MSHA, April 5, 2008
- Bylaws, MSHA, February 3, 2012
- Amended and Restated Bylaws, MSHA, April 5, 2013

Affiliates of Mountain States Health Alliance

3. Chart of Affiliates of Mountain States Health Alliance. Mountain States will provide organizational documents for any Affiliate upon request.

STATE OF TENNESSEE
CERTIFICATE OF INCORPORATION

BE IT KNOWN, that J. L. GUMP, A. W. GRIFFIN, SAM E. SELLS, WALLACE CALVERT, M. T. McARTHUR and PAUL T. HILL, are hereby constituted a body politic and corporate, by the name and style of MEMORIAL HOSPITAL, for the purpose of building, maintaining and operating a hospital or hospitals for the sick; of purchasing, receiving by gifts, leasing or otherwise acquiring and holding, any and all real estate necessary, advisable or useful in the accomplishment or furtherance of the purposes for which this corporation is organized; of leasing, purchasing, receiving as gifts or otherwise acquiring hospital and hospitals, nurses home or nurses homes, and any and all property, buildings, structures etc., necessary, advisable or useful in the furtherance of the purposes for which this corporation is organized; and of purchasing, leasing, receiving and accepting as gifts, any and all kinds of personal property necessary, advisable or useful in the erection, maintenance and operation of a hospital or hospitals, or useful in the furtherance of the objects for which this corporation is organized, and to do any and all acts in order to establish, maintain and operate a hospital or hospitals in the City of Johnson City, Washington County, Tennessee.

The general powers of the Corporation shall be:

(1) To sue and be sued by the corporate name.

(2) To have and use a common seal which it may alter at pleasure; and if no common seal, then the signature or name of the corporation by any duly authorized officer shall be binding.

(3) To receive property, real, personal or mixed, by purchase, gift, devise or bequest, and to sell the same and apply the proceeds thereof toward the promotion of the objects and purposes for which this corporation is organized, or to hold any such property and apply the income and proceeds toward such object.

(4) To change, alter, modify or amend its charter from time to time in such manner as may be determined by the Board of Directors or Trustees, at any regular meeting or special meeting called for that purpose, or at any regular or special meeting of its Executive Committee, if and when authorized by a majority vote of said Directors, Trustees or Executive Committee, and in the usual course and manner provided by law for such amendments.

(5) To establish by-laws and make all rules and regulations not inconsistent with the general laws and Constitution of the State of Tennessee, expedient for the management of the corporate affairs.

(6) To appoint such subordinate officers and agents in addition to a President and Secretary and Treasurer that the business of the corporation may require.

(7) To designate the names of the officers and fix the compensation of any officers or agents so appointed, except that members of the Board of Directors or Trustees shall receive no compensation.

(8) To make and enter into any and all contracts, agreements and arrangements necessary, advisable or useful in connection with and for the forwarding of the business of the corporation and the purposes for which the same is organized.

(9) To sell, exchange, lease or otherwise dispose of the property of the corporation so long as necessary, proper or useful in the conduct of

and forwarding of the business and purposes of the corporation and as may be authorized by its Board of Directors, Trustees or Executive Committee.

(10) To diminish the number of its Board to not less than five or to increase the number to any number permitted by law, and to change the designation of said Board from the Board of Directors to the Board of Trustees, and to elect from the members of said Board a committee to be known as the Executive Committee, to consist of not less than five nor more than seven members, who shall exercise the powers of and be charged with the duties of the Board between meetings of the Board, and to elect from the membership of said Board a President and Vice-President, a Secretary and Assistant Secretary, and a Treasurer and Assistant Treasurer, and to combine, if desirable, the offices of Secretary and Treasurer, or the offices of the Assistant Secretary and Assistant Treasurer, and said officers and the other incorporators shall constitute the first Board of Directors of the Corporation.

(11) To make such charges to patients, including members, for hospital room, board or other facilities of the hospital, as may be determined from time to time by the Board of Directors or Trustees or by the President and Secretary of the Corporation, if and when said officers shall be thereunto duly authorized by the Board of Directors or Trustees or the Executive Committee, and to contract with others for the performance of any services necessary, advisable or useful in connection with the hospitalization or treatment of patients, upon such terms and for such compensation as may be determined by the Board of Directors or Trustees or Executive Committee, or such officer or officers thereunto duly authorized.

(12) To make all such rules and regulations governing the conduct of any hospital or hospitals owned, maintained and operated by this corporation and for the employees thereof, for the nurses therein, and for the governing and control of the physicians, surgeons, dentists and other professional men or women authorized to practice or exercise their professions in, or in connection with such hospital or hospitals, and to provide for, maintain and operate and make rules and regulations for the conduct of a school or schools of training for nurses, and to grant diplomas in nursing, to such extent and in such manner as may be provided by the laws of the State of Tennessee.

(13) Each person, firm or corporation subscribing to the capital fund of the corporation or contributing through gift or otherwise, the sum of \$100.00 or more, shall be entitled to membership in the corporation subject to the provisions hereinafter contained, and shall be issued a certificate of membership, and at all elections each member shall be entitled to one vote either in person or by proxy, the result of said election to be determined by a majority of the votes cast; provided, however, that notice of any election shall be given by advertisement in a newspaper published in Johnson City or in Washington County, Tennessee, or by personal notice mailed to the members at their last known addresses, for a day stated on the minutes of the Board of Directors one month preceding the election.

The term of officers may be fixed by the by-laws, said term not, however, to exceed three years, and all officers shall hold their offices until their successors are elected and qualified.

Certificates of membership shall be transferable, but only subject to approval by the Board of Directors or Trustees, or the Executive Committee of said corporation; the said Board of Directors or Trustees or such Executive Committee shall have the right to refuse to grant membership in the corporation, coupled with the right to refuse to accept any subscription or gift made or tendered upon condition that the subscribers or givers shall become members of the corporation.

The Board of Trustees shall have the right to fill any vacancies occurring in its membership between the annual meetings of members or until the next meeting of the membership at which Directors or Trustees are to be elected.

The general welfare of society and not individual profits is the object for which this charter is granted and the members are not stockholders in the legal sense of the term, and no dividends or profits shall be divided among the members. The Board of Directors or Trustees or Executive Committee shall keep a record of all of their proceedings which shall be at all times subject to the inspection of any member, and the corporation may establish branches in any other City or County in the State.

The members may, at any time, voluntarily dissolve the corporation by a conveyance of its assets and property to any other corporation holding a charter from the State, for purposes of general welfare of society and not individual profit, first providing for corporate debts, and any violation of any of the provisions of this charter shall subject the corporation to dissolution at the instance of the State.

This charter is subject to modification and amendment, and in case such modification or amendment is not accepted, the membership and corporate business is to cease and the assets and property, after payment of the debts, are to be conveyed as aforesaid to some other corporation holding a charter for purposes not connected with individual profits. Acquiescence in any modification or amendment thus declared, shall be determined in a meeting of the members called for that purpose, and only those voting in favor of the modification shall thereafter compose the corporation.

The means, assets, income or other property of the corporation shall not be employed, directly or indirectly, for any other purpose whatsoever than to accomplish the legitimate objects of its creation, and in no implication shall it engage in any kind of trading operation, or hold any more real estate than is necessary or useful for its legitimate corporate purposes.

Expulsion shall be the only remedy for non-payment of dues by the members, and there shall be no individual liability against members for corporate debts but the entire corporate property shall be liable for the claims of its creditors, to the extent provided by law.

We, the undersigned, the incorporators above named, hereby apply to the State of Tennessee, for a Charter of Incorporation for the purposes and with the terms declared in the foregoing instrument.

WITNESS our hands, this the _____ day of February, A. D. 1945.

Paul F. Hill

John A. Selig

W. T. Martin

MSHA0018

STATE OF MISSISSIPPI,
WASHINGTON COUNTY.

Personally appeared before me E. E. Houston, a Notary Public in and for the State and County aforesaid, J. L. JUNE, A. M. GRIFFIN, SAM M. BELLIS, WILLIAM DELBERT, W. T. MCARTHUR, and PAUL A. HILL, the within named incorporators, with all of whom I am personally acquainted, and who acknowledged that they executed the within instrument for the purposes therein contained.

WITNESSE my hand and official seal of office at office in Johnson City, Tennessee, on this the 29th day of March, 1945.

My commission expires April 9, 1947

(REAL)

E. E. Houston
Notary Public

I, MRS. JOE C. GARR, Secretary of State, do certify that this Charter, with certificate attached, the foregoing of which is a true copy, was this day registered and certified to by me.

This the 12th day of April, 1945.

MRS. JOE C. GARR,
Secretary of State

FEE: \$3.00

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1983 APR -6 PM 2:54

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ARTICLE OF AMENDMENT TO THE CHARTER
OF
MEMORIAL HOSPITAL, INC.

Pursuant to the provisions of Section 48-303 of the Tennessee General Corporation Act, the undersigned corporation adopts the following articles of amendment to its Charter:

1. The name of the corporation is Memorial Hospital, Inc.
2. The amendment adopted is: The name of this corporation shall be changed to: JOHNSON CITY MEDICAL CENTER HOSPITAL, INC.
The address of this corporation shall be changed to:
400 State of Franklin Road
Johnson City, Tennessee 37601
3. The amendment was duly approved at a meeting of the Board of Directors of Memorial Hospital, Inc. held on February 25, 1983.
4. This amendment is to be effective as of the date of filing by the Secretary of State.

Dated this 22nd day of March, 1983.

MEMORIAL HOSPITAL, INC.
Johnson City, Tennessee

By *James L. Miller*
Chairman

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36100 2965

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RILEY DARNELL
SECRETARY OF STATE

**Articles of Amendment
to the Charter of
Johnson City Medical Center Hospital, Inc.**

The following amendment to the Charter of Johnson City Medical Center Hospital, Inc. is made pursuant to T.C.A. § 48-60-102 and action of the Board of Directors:

1. The current name of this non-profit corporation is **Johnson City Medical Center Hospital, Inc.**
2. The amendment adopted by the Board of Directors is:

The name of this non-profit corporation shall be changed to:
Mountain States Health Alliance

3. This amendment was adopted by the Board of Directors at a regularly called monthly meeting on December 21, 1998. The approval of members is not required.
4. The Charter does not require approval by third persons pursuant to T.C.A. § 48-60-301.
5. This Amendment is to be effective as of the date of filing by the Secretary of State.

Dated this 25th day of December, 1998.

JOHNSON CITY MEDICAL
CENTER HOSPITAL, INC.

o.k.
JJA

By: Tom Hodge
Tom Hodge
Chairman

State of Tennessee



Department of State
Corporate Filings
312 Eighth Avenue North
6th Floor, William R. Snodgrass Tower
Nashville, TN 37243

ARTICLES OF AMENDMENT
TO THE CHARTER
(Nonprofit)

For Office Use Only

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SECRETARY OF STATE

CORPORATE CONTROL NUMBER (IF KNOWN) 0078535

PURSUANT TO THE PROVISIONS OF SECTION 48-60-105 OF THE TENNESSEE NONPROFIT CORPORATION ACT, THE UNDERSIGNED CORPORATION ADOPTS THE FOLLOWING ARTICLES OF AMENDMENT TO ITS CHARTER:

1. PLEASE INSERT THE NAME OF THE CORPORATION AS IT APPEARS OF RECORD:

Mountain States Health Alliance

IF CHANGING THE NAME, INSERT THE NEW NAME ON THE LINE BELOW:

2. PLEASE MARK THE BLOCK THAT APPLIES:

- AMENDMENT IS TO BE EFFECTIVE WHEN FILED BY THE SECRETARY OF STATE.
- AMENDMENT IS TO BE EFFECTIVE, _____ (MONTH, DAY, YEAR)
(NOT TO BE LATER THAN THE 90TH DAY AFTER THE DATE THIS DOCUMENT IS FILED.) IF NEITHER BLOCK IS CHECKED, THE AMENDMENT WILL BE EFFECTIVE AT THE TIME OF FILING.

3. PLEASE INSERT ANY CHANGES THAT APPLY:

- A. PRINCIPAL ADDRESS: _____ STREET ADDRESS
CITY STATE / COUNTY ZIP CODE
- B. REGISTERED AGENT: _____
- C. REGISTERED ADDRESS: _____ STREET ADDRESS
CITY TN STATE ZIP CODE COUNTY
- D. OTHER CHANGES: See Attached

4. THE CORPORATION IS A NONPROFIT CORPORATION.

5. THE MANNER (IF NOT SET FORTH IN THE AMENDMENT) FOR IMPLEMENTATION OF ANY EXCHANGE, RECLASSIFICATION, OR CANCELLATION OF MEMBERSHIPS IS AS FOLLOWS:

6. THE AMENDMENT WAS DULY ADOPTED ON July 31, 2006 (MONTH, DAY, YEAR)
BY (Please mark the block that applies):

- THE INCORPORATORS WITHOUT MEMBER APPROVAL, AS SUCH WAS NOT REQUIRED.
- THE BOARD OF DIRECTORS WITHOUT MEMBER APPROVAL, AS SUCH WAS NOT REQUIRED.
- THE MEMBERS

7. INDICATE WHICH OF THE FOLLOWING STATEMENTS APPLIES BY MARKING THE APPLICABLE BLOCK:

- ADDITIONAL APPROVAL FOR THE AMENDMENT (AS PERMITTED BY §48-60-301 OF THE TENNESSEE NONPROFIT CORPORATION ACT) WAS NOT REQUIRED.
- ADDITIONAL APPROVAL FOR THE AMENDMENT WAS REQUIRED BY THE CHARTER AND WAS OBTAINED.

President & CEO

SIGNER'S CAPACITY

August 11, 2006

DATE

SIGNATURE

Dennis Vonderfecht

NAME OF SIGNER (TYPED OR PRINTED)

5849.2087

Articles of Amendment to the Charter of Mountain States Health Alliance

Pursuant to the provisions of T.C.A. § 48-60-105 of the Tennessee Nonprofit Corporation Act, as amended, Mountain States Health Alliance (the "Corporation") hereby adopts the following Articles of Amendment to its Charter:

1. The Corporation's Charter is hereby amended as follows:
 - a. The first sentence of the first paragraph of the Charter is hereby deleted in its entirety and replaced by the following:
"BE IT KNOWN, that J.L. GUMP, A.W. GRIFFIN, SAM H. SELLS, WALLACE CALVERT, M.T. MCARTHUR AND PAUL T. HILL, are hereby constituted a body politic and corporate, by the name and style of MOUNTAIN STATES HEALTH ALLIANCE, for the purpose of building, maintaining and operating a hospital or hospitals for the sick; of purchasing, receiving by gifts, leasing or otherwise acquiring and holding, any and all real estate necessary, advisable or useful in the accomplishment or furtherance of the purposes for which this corporation is organized; of leasing, purchasing, receiving as gifts or otherwise acquiring hospital and hospitals, nurses home or nurses homes, and any and all property, buildings, structures etc., necessary, advisable or useful in the furtherance of the purposes for which this corporation is organized; and of purchasing, leasing, receiving and accepting as gifts, any and all kinds of personal property necessary, advisable or useful in the erection, maintenance and operation of a hospital or hospitals, or useful in furtherance of the objects for which this corporation is organized, and to do any and all acts in order to establish, maintain and operate a hospital or hospitals in the corporation's service area, as such service area is defined by the Board of Directors from time to time."
 - b. The second sentence of the second full paragraph on page five of the Charter is hereby deleted in its entirety and replaced by the following:
"The Board of Directors or Trustees or Executive Committee shall keep a record of all of their proceedings which shall be at all times subject to the inspection of any member, and the corporation may establish branches in any other City or County in the corporation's service area, as such service area is defined by the Board of Directors from time to time."
 - c. The fourth full paragraph beginning on page five of the Charter and continuing on page six is hereby deleted in its entirety.
2. The foregoing amendments were adopted by the members at a special meeting duly held on July 31, 2006.

Dated this 11th day of August, 2006.

Mountain States Health Alliance

By: _____

Dennis Vonderfecht, President & CEO

**AMENDED AND RESTATED CHARTER
OF
MOUNTAIN STATES HEALTH ALLIANCE**

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TRE HARGETT
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The undersigned nonprofit corporation hereby amends and restates its Charter pursuant to § 48-60-106 of the Tennessee Nonprofit Corporation Act and states as follows:

- A. The name of the corporation is Mountain States Health Alliance.
- B. The text of the Amended and Restated Charter is as follows:
 - 1. Name. The name of the corporation is Mountain States Health Alliance.
 - 2. Public Benefit. The corporation is a public benefit corporation.
 - 3. Registered Office and Registered Agent. The address of the current registered office of the corporation in the state of Tennessee is 400 N. State of Franklin Road, Johnson City, Tennessee 37604, in Washington County, and the name of the current registered agent at that office is Timothy Belisle.
 - 4. Principal Office and Incorporators. The address of the principal office of the corporation in the state of Tennessee is 400 N. State of Franklin Road, Johnson City, Tennessee 37604, in Washington County. The original incorporators of the corporation were J. L. Gump, A. W. Griffin, Sam H. Sells, Wallace Calvert, M. T. McArthur, and Paul T. Hill and their address is 400 N. State of Franklin Road, Johnson City, Tennessee 37064, in Washington County.
 - 5. Not for Profit. The corporation is not for profit.
 - 6. Purposes. The corporation is organized and operated exclusively for the following charitable, religious, scientific or educational purposes as may qualify it for exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any future United States internal revenue law (the "Code"), and the Treasury Regulations promulgated thereunder (the "Regulations"), and as may qualify contributions to it for deduction under Section 170(c)(2) of the Code and the Regulations promulgated thereunder:
 - (a) to promote, acquire, buy, lease, build, establish, construct, equip, own, operate, sell, finance, maintain and generally deal with one or more hospitals, clinics, home healthcare businesses, rehabilitation centers, hospices, nursing homes, nursing and other schools, educational organizations and institutions, and other facilities for the reception, care and treatment of sick, ill, diseased, injured or infirmed persons and/or the cure and prevention of illness, infirmity, injury and disease among persons (collectively, the "Facilities"); to promote, acquire, buy,

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lease, build, establish, construct, equip, own, operate, sell, finance, maintain and generally deal with the facilities, equipment, and materials related to the Facilities; to promote, acquire, buy, lease, build, establish, construct, equip, own, operate, sell, finance, maintain and generally deal with any other supporting business units, facilities, equipment and activities deemed to be appropriate in connection the Facilities and permitted by the Tennessee Nonprofit Corporation Act; to be a member of or own an interest in entities that own or operate any such Facilities; to cause such Facilities to furnish high quality care to persons requiring short term acute inpatient care, outpatient services, rehabilitative care or long term care; and to take any and all other actions and do all other things necessary and proper for the efficient and effective establishment, management, control, operation and maintenance of such Facilities;

- (b) to own, lease or otherwise deal with all property, real and personal, to be used in furtherance of such purposes;
- (c) to contract with other organizations, for profit or nonprofit, with individuals and with governmental agencies in furtherance of such purposes; and
- (d) to engage in such other activities, exercise such other powers and privileges, take such other actions and carry out such other purposes as are permitted to be carried on by an entity either (i) exempt from Federal income taxation under Section 501(c)(3) of the Code or (ii) to which contributions are deductible under Section 170(c)(2) of the Code.

All the corporation's purposes and activities may be conducted within the state of Tennessee or outside the state of Tennessee.

7. Restrictions on Purpose and Activities. Notwithstanding any other provisions of this Amended and Restated Charter to the contrary, the following restrictions shall apply to the purposes, operations and activities of the corporation:

- (a) the purposes of the corporation shall in all events be charitable, religious, scientific or educational within the meaning of Section 501(c)(3) of the Code and shall be consistent with the requirements of Section 501(c)(3) and Section 509(a)(1) of the Code and all applicable Regulations;
- (b) no part of the net earnings of the corporation shall inure to the benefit of, or be distributable to, its directors, officers or other persons, except that the 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 in this Amended and Restated Charter;
- (c) no substantial part of the activities of the corporation shall be in the carrying on of propaganda or otherwise attempting to influence legislation, and the corporation shall not participate in, nor intervene in (including the publishing

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or distribution of statements) any political campaign on behalf of any candidate for public office except as authorized under the Code; and

(d) the corporation shall not carry on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under Section 501(c)(3) of the Code or (ii) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code.

8. Dissolution. Upon the dissolution of the corporation, after paying or making provision for the payment of all of the liabilities and obligations of the corporation, the board of directors of the corporation shall distribute all of the assets of the corporation to such organization or organizations selected by the board of directors that are organized and operated exclusively for religious, charitable, educational or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code. Any such assets not so disposed of shall be disposed of by a court of competent jurisdiction in the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations as said court shall determine that are organized and operated exclusively for such purposes.

9. Members.

(a) The corporation shall have two classes of members which will be designated Class A Members and Class B Members.

(b) The Class A Members shall be "members" for purposes of the Tennessee Non-Profit Corporation Act, as may be hereafter amended, superseded or replaced (the "Act"), shall have the right to vote for the election of the directors of the corporation in accordance with the Act, this Amended and Restated Charter and the Bylaws of the corporation and shall have such other voting rights and other rights as contemplated by the Act, this Amended and Restated Charter, and the Bylaws of the corporation. The Class A Members may vote on matters submitted to them for their vote either in person at a meeting of the members of the corporation, by mailed paper ballot or proxy in accordance with procedures established by the board of directors, or by such other means as determined from time to time by the board of directors.

(c) Class B Members shall not be "members" for purposes of the Act, shall have no voting rights as to the election of directors of the corporation, and shall have no other voting rights as to any other matters relating to the corporation or any other rights provided to members under the Act, but shall have the right to notice of the meetings of the members of the corporation, the right to attend such meetings of the members of the corporation and reasonable opportunity to be heard at such meetings of the members of the corporation, and shall have such other rights, and only such other rights, as are specifically provided to the Class

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B Members under this Amended and Restated Charter or the laws of the corporation.

(d) In order to be a Class A Member, (i) a person must complete and submit to the corporation an application for Class A membership in a form approved by the board of directors of the corporation; (ii) such application must be accepted by the board of directors in its sole discretion in accordance with Section 9(h) below; (iii) within thirty (30) days after the acceptance of such application, such person must make a contribution to the corporation in the sum of \$500 or more; (iv) each fiscal year of the corporation, the person must attend at least two of the Educational Sessions (as defined in Section 9(f) below) provided by the corporation according to Section 9(f) below (this obligation shall start with the fiscal year in which the person's application to be a member is accepted if at least two Educational Sessions are offered by the corporation after such date during such fiscal year; otherwise, this obligation shall start with the first full fiscal year after the fiscal year in which the application is accepted); and (v) within thirty (30) days after each anniversary of the acceptance of such application, such person must make an annual contribution of at least \$100.00 to the corporation. The board of directors of the corporation may from time to time increase the amount of the required initial contribution and required annual contribution in its discretion.

(e) In order to become a Class B Member, (i) a person must complete and submit to the corporation an application for Class B membership in a form approved by the board of directors of the corporation; (ii) such application must be accepted by the board of directors in its sole discretion in accordance with Section 9(h) below; and (iii) within thirty (30) days after the acceptance of such application, such person must make a contribution to the corporation in the sum of \$100 or more.

(f) The corporation shall offer to the Class A Members at least four (4) educational sessions during each fiscal year of the corporation commencing with the first full fiscal year after this Amended and Restated Charter is approved by the members of the corporation (the "Educational Sessions"). The Educational Sessions shall provide information about the corporation's operations, financial condition, plans and goals. Class B Members may attend the Educational Sessions but are not required to attend any Educational Sessions. Class A Members must attend at least two (2) of the Educational Sessions each fiscal year. The annual meeting of members of the corporation shall constitute one (1) of the Educational Sessions. If the corporation fails to offer at least four (4) Educational Sessions in any fiscal year, then the Class A Members shall be excused from the requirement of attending at least two (2) such Educational Sessions in such fiscal year, but in such circumstance the Class A Members must attend at least the annual meeting of members.

(g) In the event that a Class A Member fails to attend at least two (2) Educational Sessions in any fiscal year in which at least four (4) Educational Sessions are offered or if a Class A Member fails timely to make the required annual contribution to the corporation, the corporation shall notify such person in writing that such person's status as a Class A Member will terminate thirty (30) days after such notice of termination and shall state the date such termination shall become effective and shall state the reasons for such termination. Such person shall have an opportunity to be heard, orally or in writing, by the board of directors (or a committee appointed by the board of directors for this purpose) not less than five (5) days before the date such termination is to become effective. Such person shall seek such hearing by giving written demand for such hearing to the corporation at least ten (10) days before the date such termination is to become effective. After such hearing, the board of directors or such committee may determine in its sole discretion that such termination shall not become effective if the reasons for such termination were not correct or have been cured. Absent such determination by the board of directors or such committee, such termination shall become effective upon the expiration of the aforementioned thirty (30) day period and thereafter such person shall be a Class B Member.

(h) The board of directors shall consider applications for membership once each year at the first meeting of the board of directors following the annual meeting of the membership; provided that the board of directors, in its discretion, may determine to consider applications more than once a year and/or at such other time or times as the board may decide. Applications for membership may be accepted or rejected by the board of directors in its sole discretion for any or no reason. If any application for membership is rejected, any contribution by the applicant submitted with such application shall be returned to such applicant.

(i) Notwithstanding any other provision hereof, each person who is a member of the corporation as of the date of the approval of this Amended and Restated Charter by the members of the corporation shall automatically become a Class A Member, and shall thereafter continue as a Class A Member so long as such person attends the required number of Educational Sessions in each fiscal year of the corporation (commencing with the first full fiscal year after the approval of this Amended and Restated Charter by the members of the corporation). Each such person shall be excused from making the required annual contribution for Class A Members, but if any such person shall fail to attend the required number of Educational Sessions in any fiscal year, then such person's Class A membership is subject to termination pursuant to Section 9(g) above. If such person's Class A membership is terminated, such person may apply to become a Class A Member again pursuant to Section 9(d), but must satisfy all the requirements of Section 9(d) and all other requirements to become and continue as a Class A Member, including, without limitation, making the required initial contribution and the required annual contributions and attending the required Educational Sessions. No contributions made by such person prior to such

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application shall count toward such person's satisfying any the required contributions.

(j) In order to be a member of the board of directors of the corporation, natural person must be a Class A Member of the corporation. Notwithstanding any other provisions of this Amended and Restated Charter, each Class A Member who serves on the board of directors of the corporation or on the board of directors or similar governing body of any subsidiary, affiliated or controlled entity of the corporation shall be excused while he or she is serving in such capacity from the requirement of attending the required number of Educational Sessions each fiscal year and from the requirement of making the annual contribution to the corporation so long as he or she complies with the meeting attendance requirements applicable to the board or other governing body on which he or she serves.

(k) If, in any year, as of the date forty-five (45) days after the first meeting of the board of directors following the annual meeting of the members, the total number of persons who are Class A Members falls below 150, then, in such circumstance, the corporation shall cease to have any Class A Members and all persons who were Class A Members shall thereafter be deemed to be Class B Members and the corporation shall not have members for purposes of the Act.

(l) A Class A Member may be removed as a member and its status as a member terminated by the board of directors if the board of directors determines that the Class A Member (i) has a conflict of interest with the corporation by virtue of the Class A Member's being a competitor of, or being employed by, being affiliated with, having a contract with, having an ownership interest in, serving on any governing body of, or serving as an officer or manager of any person or entity that is a competitor of, the corporation or any of the corporation's subsidiaries or affiliated or controlled entities or (ii) otherwise has a conflict of interest with the corporation or any of the corporation's subsidiaries or affiliated or controlled entities. If the board of directors makes such a determination, the corporation shall notify such person in writing that such person's status as a Class A Member will terminate (and such person will be removed as a member) thirty (30) days after such notice of termination and shall state the date such termination and removal shall become effective and shall state the reasons for such termination and removal. Such person shall have an opportunity to be heard, orally or in writing, by the board of directors (or a committee appointed by the board of directors for this purpose) not less than five (5) days before the date such termination and removal is to become effective. Such person shall seek such hearing by giving written demand for such hearing to the corporation at least ten (10) days before the date such termination and removal is to become effective. After such hearing, the board of directors or such committee may determine in its sole discretion that such termination and removal shall not become effective if the reasons for such termination and removal were not correct or have been cured. Absent such determination by the board of

directors or such committee, such termination and removal shall become effective upon the expiration of the aforementioned thirty (30) day period and thereafter such person shall not be a Class A Member or any other member of the corporation and also shall not be a Class B Member or have any other status with the corporation. A Class B Member's status as a Class B Member may also be terminated for the same reasons and through the same procedures and, following such termination, such person shall not be a Class B Member or have any other status with the corporation.

(m) As used in this Section 9 of this Amended and Restated Charter, the term "person" or "persons" includes natural persons and entities. If a Class A Member is an entity, then the Class A Member must designate, in a writing delivered to the corporation, a natural person affiliated with such Class A Member as the representative of such Class A Member for purposes of attending the Educational Sessions each fiscal year. The Class A Member may change the designated representative from time to time by delivering a written notice to the corporation designating a new person affiliated with the Class A Member as such representative. The natural person designated as the Class Member's representative in its most recent written designation delivered to the corporation must be the person who attends the Educational Sessions on behalf of such Class A Member in order for the Class A Member to receive credit for attending such Educational Sessions.

- 10. Limitation of Liability. The liability of any member, Class A Member, Class B Member, director, officer, employee or agent of the corporation, and their respective successors in interest, shall be eliminated and limited to the fullest extent allowed under the Act, as amended from time to time, or any subsequent law, rule or regulation adopted in lieu thereof.

CERTIFICATE

- C. This amendment and restatement of the Charter of the corporation contains amendments requiring approval by the members of the corporation.
- D. This amendment and restatement of the Charter of the corporation was duly adopted by the Board of Directors of the corporation on March 4, 2011 and duly adopted by the members of the corporation on June 21, 2011.
- E. This Amended and Restated Charter, shall be effective on the date on which it is filed with the Secretary of State of Tennessee.

Dated: July 15, 2011.

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STATE OF TENNESSEE
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TRE HARGETT
SECRETARY OF STATE
MSHA0030

MOUNTAIN STATES HEALTH ALLIANCE

By: D. Vonderheide

Name Printed: DENNIS VONDERHEIDE

Title: PRESIDENT/CEO OF MOUNTAIN STATES HEALTH ALLIANCE

6921.3088

RECEIVED
STATE OF TENNESSEE
2011 AUG -2 AM 11:39
IRE HARGETT
SECRETARY OF STATE

7199.1882, 54/23/2013, 09:50:02, Received by Tennessee Secretary of State The Hargett

FILED

SECOND AMENDED AND RESTATED CHARTER

OF

MOUNTAIN STATES HEALTH ALLIANCE

The undersigned nonprofit corporation files this Second Amended and Restated Charter pursuant to § 48-60-106 of the Tennessee Nonprofit Corporation Act (the "Act").

WHEREAS, the corporation's board of directors previously proposed and the corporation's members previously approved an Amended and Restated Charter of the corporation which was filed with the Secretary of State on August 2, 2011 (the "Existing Amended and Restated Charter"); and

WHEREAS, the Existing Amended and Restated Charter provides, among other things, the following:

- (i) That the corporation shall have two classes of members which are designated as Class A Members and Class B Members;
- (ii) That the Class A Members have the right to vote for the election of directors and are "members" for purposes of the Act;
- (iii) That the Class B Members have no voting rights for the election of directors nor have any other voting rights and are not "members" for purposes of the Act;
- (iv) That all persons who were members of the corporation as of the date of approval of the Existing Amended and Restated Charter automatically became Class A Members;
- (v) That if a Class A Member fails to attend the required number of educational sessions offered by the corporation, the Class A Member shall cease to be a Class A Member and instead automatically become a Class B Member;
- (vi) That if, in any year, as of the date forty-five (45) days after the first meeting of the board of directors following the annual meeting of members, the total number of persons who are Class A Members falls below 150, then the corporation shall cease to have any Class A Members and all persons who were Class A Members shall thereafter be deemed Class B Members and the corporation shall not have members for purposes of the Act;

WHEREAS, in 2012, as of the date forty-five (45) days after the first meeting of the board of directors after the annual meeting of members, the total number of persons who were Class A Members fell below 150 (103 to be exact) and therefore, pursuant to the Existing

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Amended and Restated Charter, (i) all persons who were at that time Class A Members became Class B Members who have no voting rights for directors nor any other voting rights and therefore are not members for purposes of the Act and (ii) the corporation ceased having members for purposes of the Act;

WHEREAS, the corporation desires to file this Second Amended and Restated Charter to reflect that the corporation no longer has members for purposes of the Act and to make certain other changes to the corporation's charter;

THEREFORE, the corporation hereby amends and restates its Charter pursuant to § 48-60-106 of the Act and states as follows:

- A. The name of the corporation is Mountain States Health Alliance.
- B. The text of the Second Amended and Restated Charter is as follows:
 - 1. Name. The name of the corporation is Mountain States Health Alliance.
 - 2. Public Benefit. The corporation is a public benefit corporation.
 - 3. Registered Office and Registered Agent. The address of the current registered office of the corporation in the state of Tennessee is 400 N. State of Franklin Road, Johnson City, Tennessee 37604, in Washington County, and the name of the current registered agent at that office is Timothy Belisle.
 - 4. Principal Office and Incorporators. The address of the principal office of the corporation in the state of Tennessee is 400 N. State of Franklin Road, Johnson City, Tennessee 37604, in Washington County. The original incorporators of the corporation were J. L. Gump, A. W. Griffin, Sam H. Sells, Wallace Calvert, M. T. McArthur, and Paul T. Hill and their address is 400 N. State of Franklin Road, Johnson City, Tennessee 37064, in Washington County.
 - 5. Not for Profit. The corporation is not for profit.
 - 6. Purposes. The corporation is organized and operated exclusively for the following charitable, religious, scientific or educational purposes as may qualify it for exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any future United States internal revenue law (the "Code"), and the Treasury Regulations promulgated thereunder (the "Regulations"), and as may qualify contributions to it for deduction under Section 170(c)(2) of the Code and the Regulations promulgated thereunder:
 - (a) to promote, acquire, buy, lease, build, establish, construct, equip, own, operate, sell, finance, maintain and generally deal with one or more hospitals, clinics, home healthcare businesses, rehabilitation centers, hospices, nursing homes, nursing and other schools, educational organizations and institutions, and

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other facilities for the reception, care and treatment of sick, ill, diseased, injured or infirmed persons and/or the cure and prevention of illness, infirmity, injury and disease among persons (collectively, the "Facilities"); to promote, acquire, buy, lease, build, establish, construct, equip, own, operate, sell, finance, maintain and generally deal with the facilities, equipment, and materials related to the Facilities; to promote, acquire, buy, lease, build, establish, construct, equip, own, operate, sell, finance, maintain and generally deal with any other supporting business units, facilities, equipment and activities deemed to be appropriate in connection with the Facilities and permitted by the Tennessee Nonprofit Corporation Act; to be a member of or own an interest in entities that own or operate any such Facilities; to cause such Facilities to furnish high quality care to persons requiring short term acute inpatient care, outpatient services, rehabilitative care or long term care; and to take any and all other actions and do all other things necessary and proper for the efficient and effective establishment, management, control, operation and maintenance of such Facilities;

(b) to own, lease or otherwise deal with all property, real and personal, to be used in furtherance of such purposes;

(c) to contract with other organizations, for profit or nonprofit, with individuals and with governmental agencies in furtherance of such purposes; and

(d) to engage in such other activities, exercise such other powers and privileges, take such other actions and carry out such other purposes as are permitted to be carried on by an entity either (i) exempt from Federal income taxation under Section 501(c)(3) of the Code or (ii) to which contributions are deductible under Section 170(c)(2) of the Code.

All the corporation's purposes and activities may be conducted within the state of Tennessee or outside the state of Tennessee.

7. Restrictions on Purpose and Activities. Notwithstanding any other provisions of this Amended and Restated Charter to the contrary, the following restrictions shall apply to the purposes, operations and activities of the corporation:

(a) the purposes of the corporation shall in all events be charitable, religious, scientific or educational within the meaning of Section 501(c)(3) of the Code and shall be consistent with the requirements of Section 501(c)(3) and Section 509(a)(1) of the Code and all applicable Regulations;

(b) no part of the net earnings of the corporation shall inure to the benefit of, or be distributable to, its directors, officers or other persons, except that the 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 in this Amended and Restated Charter;

(c) no substantial part of the activities of the corporation shall be in the carrying on of propaganda or otherwise attempting to influence legislation, and the corporation shall not participate in, nor 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 Code; and

(d) the corporation shall not carry on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under Section 501(c)(3) of the Code or (ii) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code.

8. Dissolution. Upon the dissolution of the corporation, after paying or making provision for the payment of all of the liabilities and obligations of the corporation, the board of directors of the corporation shall distribute all of the assets of the corporation to such organization or organizations selected by the board of directors that are organized and operated exclusively for religious, charitable, educational or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code. Any such assets not so disposed of shall be disposed of by a court of competent jurisdiction in the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations as said court shall determine that are organized and operated exclusively for such purposes.

9. No Members.

(a) The corporation has no members for purposes of and/or as contemplated by the Tennessee Nonprofit Corporation Act, as may be hereafter amended, superseded or replaced (the "Act"). All corporate powers shall be exercised by or under the authority of, and the affairs of the corporation managed under the direction of, the corporation's board of directors. The corporation's board of directors shall be a self-perpetuating board; the board of directors shall be responsible for electing the directors to serve on the board and their successors in accordance with the Bylaws of the corporation.

(b) The corporation shall have a class of persons who shall be known as MSHA Advocates. Persons shall become MSHA Advocates and shall cease to be MSHA Advocates in accordance with the provisions of this Second Amended and Restated Charter and the Bylaws of the corporation. MSHA Advocates shall not be members for purposes of the Act, shall have no voting rights as to the election of directors of the corporation, and shall have no other voting rights as to any other matters relating to the corporation or any other rights provided to members under the Act, but shall have the right to notice of the meetings, if any, of the MSHA Advocates called by the corporation, the right to attend such meetings of the MSHA Advocates and reasonable opportunity to be heard at such meetings of the MSHA Advocates, and shall have such other rights, and only

such other rights, as are specifically provided to the MSHA Advocates under this Second Amended and Restated Charter or in the Bylaws of the corporation.

(c) Each person who, under the corporation's previous amended and restated charter, was a Class B Member as of August 20, 2012 and each person admitted as a Class B Member after such date and before the date of the filing of this Second Amended and Restated Charter (all of whom, as provided in such previous amended and restated charter were not members for purposes of the Act), including all former Class A Members (all of whom, pursuant to such previous amended and restated charter, became Class B Members as of August 20, 2012 or before), shall automatically become a MSHA Advocate as of the date of the filing of this Second Amended and Restated Charter without the need to submit an application or make any additional contribution to the corporation as contemplated by Section 9(d) below and shall no longer be a Class B Member.

(d) Additional persons may become MSHA Advocates. In order to become a MSHA Advocate, (i) a person must complete and submit to the corporation an application to become a MSHA Advocate in a form approved by the board of directors of the corporation; (ii) such application must be accepted by the board of directors in its sole discretion in accordance with Section 9(e) below; and (iii) within thirty (30) days after the acceptance of such application, such person must make a contribution to the corporation in the sum of \$100 or more.

(e) The board of directors shall consider MSHA Advocates applications once each year at the first meeting of the board of directors of the year; provided that the board of directors, in its discretion, may determine to consider applications more than once a year and/or at such other time or times as the board may decide. Applications may be accepted or rejected by the board of directors in its sole discretion for any or no reason. If any application is rejected, any contribution by the applicant submitted with such application shall be returned to such applicant.

(f) The corporation may, but shall not be required to, from time to time, call meetings of the MSHA Advocates in its discretion and in accordance with the Bylaws to provide information to the MSHA Advocates about the corporation's operations and plans or other information about the corporation or for other purposes as may be determined by the board of directors of the corporation in the board's sole discretion.

(g) As used in this Section 9 of this Second Amended and Restated Charter, the term "person" or "persons" includes natural persons and entities.

- 10. Limitation of Liability. The liability of any director, officer, employee or agent of the corporation, and their respective successors in interest, shall be eliminated and limited to the fullest extent allowed under the Act, as amended from time to time, or any subsequent law, rule or regulation adopted in lieu thereof.

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6 PGS : AL - AMENDMENT	
REVONDA BATCH: 43539	
06/07/2013 - 04:06:40 PM	
VALUE	0.00
MORTGAGE TAX	0.00
TRANSFER TAX	0.00
RECORDING FEE	5.50
DP FEE	2.00
REGISTER'S FEE	0.00
TOTAL AMOUNT	7.50

STATE OF TENNESSEE, SULLIVAN COUNTY
BART LONG
REGISTER OF DEEDS

CERTIFICATE

- C. This amendment and restatement of the Charter of the corporation does not contain any amendments requiring approval by the members of the corporation as the corporation does not have any members nor does it contain any amendment requiring the approval of any person other than the board of directors of the corporation.
- D. This amendment and restatement of the Charter of the corporation was duly adopted by the Board of Directors of the corporation on April 5, 2013.
- E. This Second Amended and Restated Charter shall be effective on the date on which it is filed with the Secretary of State of Tennessee.

Dated: April 5, 2013.

BK/PG: 369/969-974

13001166

6 PGS : AL - AMENDMENT TO CHARTER	
JAIME BATCH: 11705	
06/06/2013 - 04:31 PM	
VALUE	0.00
MORTGAGE TAX	0.00
TRANSFER TAX	0.00
RECORDING FEE	5.50
DP FEE	2.00
REGISTER'S FEE	0.00
TOTAL AMOUNT	7.50

STATE OF TENNESSEE, UNICOI COUNTY
DEBBIE TITTLE
REGISTER OF DEEDS

Debbie Tittle *Guiney Foss CDR*

MOUNTAIN STATES HEALTH ALLIANCE

By: *Clem C. Wilkes Jr.*

Name Printed: *Clem C. Wilkes Jr.*

Title: *Chairman, MSHA Board*

ROLL/IMG: 801/381-386

13009508

6 PGS : AL - CHARTER	
LISA BATCH: 88121	05/31/2013 - 04:09 PM
VALUE	0.00
MORTGAGE TAX	0.00
TRANSFER TAX	0.00
RECORDING FEE	5.00
ARCHIVE FEE	0.00
DP FEE	2.00
REGISTER'S FEE	0.00
TOTAL AMOUNT	7.00

STATE OF TENNESSEE, WASHINGTON COUNTY
GINGER B. JILTON
REGISTER OF DEEDS



BK/PG: 160/478-483

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6 PGS : AL - CHARTER	
JODY BATCH: 75744	Inst Num: 13003114
VALUE	0.00
MORTGAGE TAX	0.00
TRANSFER TAX	0.00
RECORDING FEE	5.50
DP FEE	2.00
REGISTER'S FEE	0.00
TOTAL AMOUNT	7.50

STATE OF TENNESSEE, CARTER COUNTY
EDRIE BRISTOL

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BYLAWS

JOHNSON CITY MEDICAL CENTER HOSPITAL

DATE OF LAST REVIEW AND REVISION:

January 25, 1999

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BYLAWS

MOUNTAIN STATES HEALTH ALLIANCE

JOHNSON CITY, TENNESSEE

This is a nonprofit Corporation duly and properly incorporated by charter dated the 29th day of March, 1945 and recorded in the Office of the Secretary of State of the State of Tennessee in Miscellaneous Book A 2 on the 12th day of April, 1945, and amended as to name on the 22nd day of March, 1983, as recorded in the Office of the Secretary of State of the State of Tennessee on April 6, 1983.

ARTICLE I

PRINCIPAL OFFICE OF THE CORPORATION

The Principal Office of the Corporation shall be at 400 State of Franklin Road, Johnson City, Tennessee.

ARTICLE II

MEMBERSHIP OF THE CORPORATION

SECTION 1.

Membership in the Corporation shall consist of persons, firms or corporations subscribing to the capital fund of the Mountain States Health Alliance, or those who contribute through gift or otherwise the sum of not less than one hundred dollars (\$100.00). Provided, however, except for those presently holding membership in the Corporation, that no person, firm or corporation employed by or having any interest in any hospital or health care institution competing with MOUNTAIN STATES HEALTH ALLIANCE, shall be eligible for membership. Provided further that the Board of Directors shall have the right to refuse to grant membership in the Corporation for any other reason suitable to them, coupled with the right to refuse to accept any subscription or gift made or tendered upon condition that the subscribers or givers shall become members of the corporation.

SECTION 2.

Voting rights of the membership shall be limited to persons named on the certificate for individual membership and those named by letter of designation from the institutional/ business membership. Each individual or institution/ business will be entitled to one membership certificate and one vote, either in person or by proxy.

SECTION 3.

The membership shall meet at least annually to elect new Board Members and to receive reports on the operation and financial status of the Corporation. Under the provisions of the Charter of the MOUNTAIN STATES HEALTH ALLIANCE, the Board of Directors shall be charged with the responsibility of carrying out all of the functions of the hospital permitted by the Charter.

**ARTICLE III
MEETINGS OF THE MEMBERSHIP**

SECTION 1.

The annual meeting of the membership shall be held on the third Tuesday of October, at an hour and place determined by the Chairman, Board of Directors. Special meetings of the membership may be called by the Board of Directors, or by the Chairman, upon reasonable notice, but not less than fifteen days (15) prior to the meeting. A special meeting may also be requested if ten percent (10%) of the membership so desires, by signed petition, to consider any matter that must be approved by the membership. Any such request shall specify the agenda to be discussed and the reasons therefore. Notices pertaining to the annual or special meetings shall be given by advertisement in a newspaper published in Johnson City or Washington County, Tennessee or by personal notice mailed to the members, one month preceding the annual meeting and at least fifteen days prior to special meetings.

SECTION 2.

At any meeting of this membership, annual or special, ten (10) percent of the membership or not less than seventy five (75) in person, whichever is smaller, shall constitute a quorum for the transaction of business.

**ARTICLE IV
BOARD OF DIRECTORS**

SECTION 1.

The management of all affairs of the Corporation shall be vested in a Board of Directors consisting of not more than twenty-three (23) persons designated and elected as follows:

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- A. Four (4) ex-officio members of the Board shall be the City Manager of Johnson City, Tennessee; the County Executive of Washington County, Tennessee; Dean of Medicine and Vice-President for Health Affairs, James H. Quillen College of Medicine, East Tennessee State University; and the Chairman of the Medical Staff of the MOUNTAIN STATES HEALTH ALLIANCE. The individuals occupying the positions thus listed will serve on the Board of Directors until they relinquish their office and then their successors will assume membership on the Board. These ex-officio members have voting privileges and shall enjoy the same status as elected Board members, except they shall not serve as Chairman of the Board.
- B. Eighteen (18) members of the Board (three (3) of which shall be members of the Medical Staff of MOUNTAIN STATES HEALTH ALLIANCE) must:
1. Be a resident of counties within the MSHA service area.
 2. Be a Member of the Corporation or the designated representative of a institution/business membership.
 3. Be elected by the Membership at an annual meeting of the Corporation, except as provided in SECTION 4 of this ARTICLE; and
 4. Beginning in 1998, at least one (1) of the members must be either a resident of Carter County, Tennessee, or the designated representative of an institution/business having its principal office in Carter County, Tennessee. At least one (1) of the members must be either a resident of Sullivan County, Tennessee, or the designed representative of an institution/business having its principal office in Sullivan County, Tennessee. At least one (1) of the members must be either a resident of Greene County, Tennessee, or the designated representative of an institution/business having its principal office in Greene County, Tennessee. As the eligibility expires for each of these respective members, their position on the Board shall be replaced or succeeded by a member who holds similar residency qualifications.

SECTION 2.

Except for Ex-Officio Members, Directors shall be elected for a term of three (3) years and shall hold office until their successors are elected. One third of the Directors, except Ex-Officio Members, shall be elected each year for a three year term so that said terms are staggered. Any person who has served three consecutive terms (a partial term shall be considered as a full term for the purpose of this SECTION) shall not be eligible to serve as a Director for a period of one year following the termination of his/her third successive term as a Director. A Director who serves as Chairman during the last year of his third consecutive term may remain as a Director for one additional year and then shall not be eligible to serve as a Director for a period of one year following the termination of his/her third successive term plus one year as past Chairman. At those times when the past Chairman remains on the Board, as herein provided for, the Board

shall consist of not more than twenty-three (23) persons. Newly elected Board Members shall take office at the first meeting of the Board following the annual meeting of the membership.

SECTION 3.

Directors, other than ex-officio directors, shall be elected by the membership at its annual meeting by the procedures described below:

- A. A Nominating Committee comprised of the three (3) most recent past Chairmen of the Corporation shall be appointed by the Chairman of the Board. In the event any such past Chairman shall decline to serve, the next most recent past Chairman shall be appointed by the Chairman of the Board and this process shall continue until such time as three (3) members are appointed. The President/CEO of Mountain States Health Alliance shall likewise serve as an ex-officio, non-voting member of this Committee. The Chairman of the Board shall likewise appoint one (1) of these members as Chairperson of this committee. The appointed Chairperson of this committee, along with all members of the Nominating Committee, shall be made known to the membership. The Nominating Committee shall nominate two (2) persons from the membership for each vacancy to be filled except for such vacancies as must be filled by members of the Medical Staff, in which case the Medical Staff will nominate two (2) persons for each vacancy. Nominations by the Medical Staff shall be forwarded to the Nominating Committee at least four (4) weeks before the annual meeting. Prior to ballots being distributed, the Nominating Committee shall present the slate of nominations to the Board of Directors, for approval of each nominee by majority vote of the Directors. Ballots, provided by the Nominating Committee, shall then be sent to each voting membership not less than ten (10) days prior to the annual meeting of the membership. Ballots shall contain the names of the persons nominated and said ballots shall have blank lines under the names of those being nominated to enable the voting membership the opportunity to write in the names of other persons for whom they desire to vote for as Director.

- B. Enclosed along with the ballots prepared by the Nominating Committee, there shall be a return envelope addressed to the Director, Corporate Audit and Compliance Services, MOUNTAIN STATES HEALTH ALLIANCE. The ballot shall be either mailed or returned in the enclosed envelope so that it reaches the date of the annual meeting of the membership or the envelope may be brought by the voting member to said annual meeting and deposited by the voter in the ballot box. In order for the ballot to be considered eligible for tally, the name of the member voting shall appear on the back of the envelope containing the member's ballot. All ballots received prior to 5:00 p.m. on the day of the annual meeting shall be placed in the ballot box which will be locked and kept in the sole possession of the Director, Corporate Audit and Compliance Services.

- C. After 5:00 p.m. on the date of the annual meeting, and before the start of the meeting, all ballots mailed to the Director, Corporate Audit and Compliance Services, shall be tallied by him with such additional assistance as may be required. Results of the balloting will not be revealed until after ballots brought to the annual meeting have been tallied and added to the previous totals. A certification, signed by the Director, Corporate Audit and Compliance Services, shall be given to the Chairman, Board of Directors, during the annual meeting, and said certification shall attest to the accuracy of the ballot count and the number of votes each nominee received.

SECTION 4.

Vacancies occurring on the Board of Directors by resignation, death or otherwise shall be filled as follows: The Nominating Committee shall submit the name of one individual for each vacancy for consideration and vote by the Board of Directors. Any such vote shall be by majority vote of the remaining Directors at any regularly called or specially called meeting of said Directors. This process shall continue until the vacancy or vacancies have been filled. However, in the case of a physician Director, the Executive Committee of the Medical Staff shall be requested to submit for approval by majority vote of the Board of Directors, the name of any individual to fill the vacancy of a physician Director. Any Director thus elected to fill any vacancy shall hold office for the unexpired term of his/her predecessor.

SECTION 5.

A quorum at all meetings of the Board of Directors shall consist of a majority of the whole Board. If there is less than a quorum at any meeting, the meeting may be adjourned and held on a subsequent date without the usual notice provided a quorum is present at such deferred meeting.

SECTION 6.

Committees of the Board of Directors shall be standing and, when so indicated, special committees may be appointed.

- A. Standing committees shall be an Executive Committee; a Finance/Building and Grounds Committee; a Performance Improvement and Risk Management Committee; an Corporate Audit and Compliance Committee, and a Planning Committee. Special committees may be appointed by the Chairman of the Board for specific assignments and for a specified duration.
- B. All Committees of the Board of Directors, except the Executive Committee, shall be appointed by the Chairman within two (2) weeks after he is elected. However, these

appointments shall be subject to confirmation or rejection by the Board of Directors at its first meeting following the Chairman's designation of Committee Membership.

- C. A quorum at any committee meeting shall consist of a majority of the entire membership of the committee.
- D. Standing committees shall have the power to act only as stated in these Bylaws or as conferred by the Board of Directors. Special committees shall perform only those duties as may be assigned by the Chairman or the Board of Directors. All committees shall have a chairman, who must be a member of the committee, and a secretary who need not be a member of the committee.

SECTION 7.

Directors shall not be paid a salary for their services. They may, however, be paid for actual expenses incurred when on authorized business of the Corporation.

SECTION 8.

Meetings of the Board of Directors shall be held monthly and on a day and specific time voted on by the Board of Directors. These meetings shall be held in the offices of the Corporation or at such other places as the Directors may, from time to time, designate. Special meetings of the Board may be called at any time by the Chairman or the Secretary or by one-third of the Directors, upon five (5) days personal or written notice being given to each Director.

SECTION 9.

It is expected that all Directors attend every meeting of the Board and every meeting of a Board committee of which he or she is a member. Absences may be excused for such reasons as illness, absence from the city or conflicting personal business reasons. An excused absence will be recorded as such in the minutes of the meeting. It shall be the responsibility of each Board member to notify the Secretary of the Board in advance if he or she cannot attend a meeting and the reason(s) therefore. Secretaries of Board Committees shall likewise be notified in advance if a member cannot attend a meeting. Absences at Board and Committee Meetings shall be reviewed quarterly by the Executive Committee to determine whether absences, for whatever reason(s), warrants continuation on the Board. A Director shall be entitled to three (3) unexcused absences per year from either Board and/or Committee meetings. Any unexcused absences in excess of this total shall be grounds for removal from the Board unless the Executive Committee determines, in its discretion, that there are extenuating reasons for any such excessive absences. If it is determined that a Director shall be removed from the Board due to excessive absences, the Director shall be so notified by the Secretary of the Board.

SECTION 10.

Paid employees of the Mountain States Health Alliance Hospital may not be elected to the Board of Directors.

SECTION 11.

MOUNTAIN STATES HEALTH ALLIANCE, shall indemnify any individual made a party to a civil or criminal proceeding because the individual is or was a Director or Officer of MOUNTAIN STATES HEALTH ALLIANCE, against any liabilities and expenses incurred in the proceeding as allowed by T.C.A. Section 48-58-502 and T.C.A. Section 48-58-507. This indemnification may include MOUNTAIN STATES HEALTH ALLIANCE, advancing reasonable expenses incurred by a Director or Officer who is a party to such a proceeding as allowed by T.C.A. Section 48-58-504.

SECTION 12.

All members of the Board of Directors, Board Committees, Officers of this Corporation, and Key Management Personnel of this Corporation shall comply with the organization's "Conflict of Interest Policy", including the annual completion and submission of the "Acknowledgment Form" and "Disclosure Statement" that are a part of this Policy. In addition, all members of the Board of Directors shall complete and submit annually the "Board Members Confidentiality Agreement".

As used in the Policy and these Bylaws, the term "Conflict of Interest" is defined as being applicable as follows:

"Conflicting Interest" shall mean service as a member, shareholder, trustee, owner, partner, director, officer, or employee of any organization or governmental entity that either:

- (i) competes with this Corporation or any Affiliate, or
- (ii) is involved or is likely to become involved in any litigation or adversarial proceeding with this Corporation or any Affiliate or
- (iii) is seeking or soliciting funds or other substantial benefits from this Corporation.

"Financial Interest" shall mean any arrangement or transaction pursuant to which an Interested Person has, directly or indirectly, through business, investment or family, either:

- (i) a present or potential ownership, investment interest or compensation arrangement in any entity with which this Corporation or any Affiliate has or may have a transaction or arrangement; or
- (ii) a compensation arrangement with this Corporation or any entity or individual with which this Corporation or any Affiliate has or may have a transaction or arrangement.

ARTICLE V
OFFICERS OF THE BOARD

The officers of the Corporation shall be a Chairman, a Vice Chairman, a Secretary, a Treasurer, and an Assistant Secretary- Treasurer. The Board of Directors shall elect these officers at the organizational meeting of the Board following the annual meeting of the membership of the Corporation. Officers shall take office on the first day of the month following their election and shall hold office for one year from and after their election or until their successors shall be elected and assume their duties.

ARTICLE VI
DUTIES OF THE CHAIRMAN OF THE BOARD

It shall be the duty of the Chairman to preside at all meetings of the Board of Directors; to sign all membership certificates; to execute all contracts that require the Chairman's signature in the name of the Corporation; and to perform all other duties usually associated with the office of Chairman of a Corporation. In addition, it is required that the Board of Directors evaluate its own performance. The leadership for this review of performance rests with the Chairman. A formalized mechanism shall be adopted to conduct a performance evaluation, including but not limited to attendance, participation, accomplishment of hospital goals, involvement in programs of continuing education in fields of health and management, and performance improvement mechanisms. Evaluations shall be documented, reviewed periodically with an objective of correcting weaknesses, and filed with official records of the Board.

ARTICLE VII
DUTIES OF THE VICE CHAIRMAN

The duties of the Vice Chairman shall be to preside at the Board of Directors meeting in the absence of the Chairman and to perform such other duties and have such authority as may be fixed by the Board of Directors.

ARTICLE VIII
DUTIES OF THE SECRETARY

The Secretary shall attend all meetings of the Board of Directors and shall keep records of the meetings or cause the same to be done and have said records recorded as minutes of the Board; he shall attend to the giving and serving of all notices; and countersign all certificates of membership when signed by the Chairman. The Secretary shall have charge of all records of the Corporation. In addition, the Secretary shall keep in safe custody the seal of the Corporation and when so affixed

the Secretary shall attest the same by signature. The Secretary shall have the general duties, power, and responsibilities of the Secretary of a Corporation.

ARTICLE IX
DUTIES OF THE TREASURER

The Treasurer shall have responsibility for the safe keeping of funds and securities of the Corporation, shall keep or cause to be kept full and accurate accounts of receipts and disbursements and shall keep or cause to be kept all other accounting records of the Corporation. The Treasurer shall also receive and deposit, or cause the same to be done, all funds of the Corporation coming into his hands in such depository as may be so designated by the Board of Directors and withdraw the same only on checks of the Corporation signed by himself, or others as authorized by the Board of Directors.

ARTICLE X
DUTIES OF THE ASSISTANT SECRETARY-TREASURER

This official shall assume the duties and responsibilities of either the Secretary or Treasurer or both when such individual(s) are absent at meetings or otherwise can not perform their duties.

ARTICLE XI
PRESIDENT AND CHIEF EXECUTIVE OFFICER

SECTION 1.

The Board of Directors shall select and employ a competent and experienced President and CEO who shall report to and be its direct representative in the management of the hospital. This official shall be vested with the necessary authority and held responsible for the administration and management of the hospital, including all of its Departments, properties, and securities. This delegation of authority is subject only to the policies enacted by the Board of Directors and to such orders as may be issued by the Board of Directors or by any of its Standing Committees to which it has delegated power to act. More specifically, the authority, responsibilities and duties of the President and CEO shall be:

- A. To develop and maintain a current organizational chart and chart of legal structure of the organization, reflecting personnel of all departments and subsections thereof; to reflect on said chart the relationship of all components of the Corporation; and to discuss with and provide a copy of said chart to each member of the Board of Directors.
- B. To prepare an annual budget showing expected receipts and expenditures and such other information as may be necessary to facilitate review and approval by the Board.

- C. To develop and promulgate necessary policies and procedures to effectively operate the hospital.
- D. To enhance the image and effectiveness of the hospital through an appropriate marketing and public relation program; to speak for and represent the hospital through the media, professional associations, and by civic and community contacts.
- E. To select and employ the appropriate number and types of employees to effectively operate the hospital, conferring only with the Board in the establishment, selection, and salary for the Vice President staff level; to establish fair and equitable pay scales; to control said employees and, when necessary and for just cause, discharge staff members not needed or for other sound reasons. The President shall have the authority to promote and reward and to adjust the number and type of employees within the salary budget approved by the Board of Directors.
- F. To insure that the buildings and grounds are kept in a good state of repair and appearance, conferring with the Finance/Building and Grounds Committee on major matters, but carrying on routine repairs and maintenance without such consultation.
- G. To supervise all business affairs of the hospital, including but not limited to: administrative and patient records; recording of financial transactions; collection of accounts; purchasing and issue of supplies; purchasing of equipment; entering into contractual arrangements; and performing other duties normally associated with the responsibilities of a corporation chief executive.
- H. To cooperate with the medical staff and to secure like cooperation on the part of all those concerned with providing professional services, to the end that patients may receive the best possible care. Essential to this objective is a close working relationship between the President and the Chief of Staff.
- I. To keep the Board of Directors and its authorized committees informed either verbally or in writing, on all significant matters. It shall also be the responsibility of the President to initiate and make formal recommendations to the Board or its committees on short and long range plans, including but not limited to: property; buildings; financial matters; patient care programs; marketing; community and other relationships and other topics of interest to the Board or matters upon which the Board must act.
- J. To attend all meetings of the Board of Directors and its committees unless providentially hindered. In such cases his representative shall attend and speak for him.
- K. To perform any other duty that may be necessary for the best interest of the hospital.

- L. To require and support the establishment and maintenance of a Safety Management plan and subsequent programs to insure a safe environment for patients, personnel, and visitors.

SECTION 2.

The goals of the hospital are set forth in ARTICLE XXI of these Bylaws. It shall be a major duty of the President to extend the goals to terms of measurable objectives or specific end results against which his performance can in part be evaluated by the Board of Directors on an annual basis or more often if indicated.

ARTICLE XII
THE EXECUTIVE COMMITTEE

SECTION 1.

The Executive Committee shall consist of the Chairman, Vice Chairman, Secretary, and Treasurer of the Board of Directors, the immediate Past Chairman of the Board of Directors, and the elected Medical Staff Member of the Board who has the longest period of service on the Board.

SECTION 2.

The Executive Committee shall have the power to transact all regular business of the hospital during the interim between regular meetings of the Board of Directors, provided that any action taken shall not conflict with the policies and expressed wishes of the Board. All matters of major importance shall be referred to the entire Board of Directors unless the urgency of situation does not permit this delay.

SECTION 3.

The Executive Committee shall hold regular monthly meetings. The Chairman of the Board shall determine the date and time of meetings.

SECTION 4.

The Executive Committee is also charged with the responsibility of monitoring the President's performance. This committee shall establish a mechanism to quantitatively measure the

President's performance of the responsibilities and duties specified in ARTICLE XI SECTION 1. A through K and SECTION 2. of these Bylaws. Participation by and discussion with the President shall be observed in the evaluation process.

ARTICLE XIII
THE FINANCE/BUILDING & GROUNDS COMMITTEE

SECTION 1.

This Committee shall consist of the Treasurer, the Assistant Secretary/Treasurer, and at least six (6) other members of the Board of Directors, the Treasurer being the Chairman.

SECTION 2.

The Committee shall have and exercise the responsibility of conducting a continuing review of all financial matters of the Hospital, annual and long range operating and capital plans, and to determine that appropriate records are kept to facilitate inspection and audit. The Finance/Building and Grounds Committee shall carefully analyze proposed hospital budgets and recommend action to be taken by the Board of Directors. It is the responsibility of the Committee to insure that the Hospital remain viable, financially sound and service oriented.

SECTION 3.

This Committee shall also have general supervision over the maintenance of the Corporation property; review and make recommendations to the Board of Directors on proposed acquisition of property; and shall review all major proposed construction contracts and make recommendations to the Board on such matters as scope, cost and terms of the proposed contract.

SECTION 4.

The Committee shall meet regularly on a monthly basis, the date and time to be decided by the Chairman.

ARTICLE XIV
THE PERFORMANCE IMPROVEMENT AND RISK MANAGEMENT COMMITTEE

SECTION 1.

This Committee shall consist of three (3) members of the Board, the Dean of the College of Medicine, the Chairman of the Medical Staff, three members of the Medical Staff nominated by the Medical Staff and approved by the Board, the Chairman of the Medical Staff Quality Improvement Committee, the President and Chief Executive Officer, and two Vice Presidents selected by the President and CEO. The Chairman shall be a member of the Board appointed by the Chairman of the Board.

SECTION 2.

The Committee shall be a forum for discussion of matters pertaining to efficient and effective patient care as well as risk management issues. It shall be responsible for acquisition and maintenance of accreditation.

SECTION 3.

The Board of Directors has ultimate responsibility and authority for maintaining quality patient care. However, the Board delegates to the Performance Improvement and Risk Management Committee responsibility for establishing and maintaining a systematic and effective mechanism for monitoring and evaluating the quality of patient care for identifying and resolving problems, and for identifying opportunities to improve patient care.

SECTION 4.

This Committee shall adopt and maintain the hospital-wide Performance Improvement Plan and programs. From time to time, this Committee shall require that the accrediting agencies' survey forms be used as a review method to estimate the accreditation status of the hospital and shall review the interim survey between regular surveys for purpose of constructive self-criticism. It shall identify areas of suspected noncompliance with the accrediting agencies' standards and shall take such actions as necessary to ensure compliance.

SECTION 5.

This Committee is responsible for the development and maintenance of methods for the protection and care of hospital patients and others at the time of internal and external disaster. It shall adopt and periodically review a written plan to safeguard patients at the time of an internal disaster, particularly fire, and shall assure that the hospital rehearses the plan at least quarterly for each shift. It shall adopt and periodically review a written plan for the care, reception and evacuation of mass casualties that adequately reflects developments in the local community and the anticipated role of the hospital in the event of disaster in nearby communities, as well as ensuring that the hospital rehearses the plan at least twice a year.

SECTION 6.

The Performance Improvement and Risk Management Committee shall meet monthly on a date and time determined by the Chairman.

ARTICLE XV
THE CORPORATE AUDIT AND COMPLIANCE COMMITTEE

SECTION 1.

This Committee shall consist of five (5) members appointed from the Board by the Chairman of the Board. The Committee Chairman shall also be appointed by the Chairman of the Board of Directors.

SECTION 2.

The Corporate Audit and Compliance Committee shall be responsible for:

- A. Recommending to the Board an external auditor for Hospital and approval of the Annual Audit to the Board of Directors.
- B. Planning and reviewing the Annual Internal Audit Plan and the Annual Compliance Review Plan as recommended by the Director of Corporate Audit and Compliance Services.
- C. Determining, through audit activities directed by the Director of Corporate Audit and Compliance Services, the adequacy of checks and controls throughout the Hospital to avoid improprieties.
- D. Overseeing the Corporate Compliance Program for greater assurance that the Hospital complies with all laws and regulations applicable to its business operation.
- E. Reviewing external audit reports, internal audit reports, and compliance review reports and insuring that appropriate actions are taken.
- F. Appraising the effectiveness of the entire audit and compliance function and recommending any necessary actions to be taken.

SECTION 3.

The Director of Corporate Audit and Compliance Services shall report jointly to the President and Chief Executive Officer and the Corporate Audit and Compliance Committee of the Board. Reports of internal audits and compliance reviews will be provided to both parties.

SECTION 4.

This Committee shall meet at least quarterly, but more often if necessary, on a date and time determined by the Chairman.

ARTICLE XVI
THE PLANNING COMMITTEE

SECTION 1.

This Committee shall consist of three (3) members of the Board of Directors, three (3) members of the Medical Staff nominated by this Medical Staff and approved by the Board, and three (3) members of the Administrative Staff. The Chairman of the Board of Directors, the Chairman of the Medical Staff, and the President and CEO will also be voting members of this Committee. The Chairman shall be a member of the Board appointed by the Chairman of the Board.

SECTION 2.

This Committee recommends and reviews short and long range program plans for the development of the Hospital. With continual assessment of mission, it shall review and recommend organizational goals and strategies and specific objectives to achieve them. This Committee shall consider and recommend requests for proposed major new programs or program eliminations.

SECTION 3.

The Planning Committee shall meet at least quarterly on a date and time determined by the Chairman.

ARTICLE XVII
THE MEDICAL STAFF

SECTION 1.

The Medical Staff of MOUNTAIN STATES HEALTH ALLIANCE shall be responsible to the Board of Directors for the professional care of patients in the Hospital and for forming and maintaining self-government. The Medical Staff shall formulate its own set of Bylaws and submit them to the Board of Directors. They will become effective upon Board approval. The Medical Staff Bylaws shall be consistent with hospital policy and any applicable legal requirement. Only a member of the Medical Staff with admitting privileges may admit a patient to the hospital and may practice only within the scope of the privileges granted by the Board of Directors. Each patient's general medical condition shall be the responsibility of a qualified physician member of the Medical Staff.

SECTION 2.

Duties and responsibilities of the Medical Staff consist of but are not limited to the following:

- A. No applicant shall be denied Medical Staff membership and/or clinical privileges on the basis of sex, race, creed, color, or national origin, or any other criterion lacking professional justification.
- B. The Medical Staff Bylaws will be reviewed and updated annually and will be submitted to the Board of Directors. Changes will become effective upon approval of the Board of Directors.
- C. The Medical Staff will submit to the Board of Directors written reports and recommendations for appointment and/or reappointment of all members who wish to serve on the Medical Staff. The written report shall contain privileges recommended and qualifying data to support the recommendations of each appointment and reappointment.
- D. Appointments to the Medical Staff shall be no longer than two years. The first six months of an initial appointment will be a provisional period. The applicant will be reviewed at the end of this period for full acceptance, extended provisional status or denial of privileges. The Board of Directors shall rely on the Medical Staff's recommendation for appointment or reappointment of each physician, dentist, or other health professional applicant based on information concerning: the individual's current licensure; health status, professional performance, judgment, clinical and/or technical skills as indicated in part by the results of performance improvement activities; previously successful or currently pending challenges to any licensure or registration or the voluntary relinquishment of such licensure or registration; voluntary or involuntary limitation, reduction or loss of clinical privileges at another hospital; and involvement in professional liability actions resulting in adverse judgment or settlement.

- E. In no case shall the Board of Directors take action on an appointment, refuse to renew an appointment or cancel an appointment previously made without consultations with the Credentials Committee and/or the Executive Committee of the Medical Staff.
- F. The Executive Committee of the Medical Staff shall submit periodic reports on the quality and appropriateness of patient care and the clinical performance of individuals with clinical privileges. The Board of Directors will approve recommendations of the Medical Staff Executive Committee through the Performance Improvement and Risk Management Committee for specific programs and procedures for reviewing, evaluating, and maintaining the quality and appropriateness of patient care within the Hospital.
- G. When a practitioner receives notice of a recommendation of the Executive Committee or Credentials Committee that will adversely affect his appointment as a member of the Medical Staff or his exercise of clinical privileges, he shall be entitled to a due process hearing as may be allowed by the Medical Staff Bylaws. It is understood that when the applicant signs the application for appointment to the Medical Staff, he agrees to:
 - (1) Abide by the Bylaws of the Board of Directors.
 - (2) Abide by the Bylaws, Rules and Regulations of the Medical Staff.
 - (3) Give to the Hospital immunity from liability as covered under the Medical Staff Bylaws.
- H. The Board of Directors or their designee, the President/CEO, shall inform applicants of the disposition of their application for Medical Staff membership and/or clinical privileges within a reasonable period of time after their application has been submitted.
- I. A physician or dentist whose engagement by the Hospital requires membership on the Medical Staff and whose duties are medico-administrative in nature shall not have his/her medical staff privileges terminated without the same due process provisions as are provided for any other member of the Medical Staff, unless otherwise stated by contract, or by the Medical Staff Bylaws.
- J. The Medical Staff Bylaws shall include a mechanism for review of any adverse decision when requested by the practitioner, unless otherwise set forth by the Medical Staff Bylaws.
- K. The Board of Directors shall adopt a Hearing and Appeal Procedures Plan which has been approved by the Medical Staff and which is included in the Medical Staff Bylaws.
- L. When the Board of Directors does not concur with a Medical Staff recommendation relative to clinical privileges, the practitioner shall be entitled to such due process rights as may be provided by the Medical Staff Bylaws.

- M. No physician or dentist shall be eligible for appointment or reappointment or continuation as a member of the Medical Staff without satisfactory evidence of current professional liability insurance coverage in an amount of not less than \$1,000,000.00 through an insurance company licensed or approved by the State of Tennessee. At all times the Hospital shall have on file a certificate of insurance that is currently in force and it shall be the physician's responsibility to keep the Hospital informed of any changes in such certificate."
- N. The Medical Staff Executive Committee shall make recommendations on the following areas directly to the Board of Directors for its approval:
- (1) The structure of the Medical Staff;
 - (2) The mechanism used to review credentials and to delineate individual clinical privileges;
 - (3) Individual Medical Staff membership;
 - (4) Specific clinical privileges for each eligible individual;
 - (5) The organization of the performance improvement activities of the Medical Staff as well as the mechanism used to conduct, evaluate and revise such activities;
 - (6) The mechanism by which membership on the Medical Staff may be terminated; and
 - (7) The mechanism for fair-hearing procedures.

**ARTICLE XVIII
PERFORMANCE IMPROVEMENT PROGRAM**

SECTION 1. Authority and Responsibility - Board of Directors

- A. The Board of Directors has ultimate responsibility and authority for maintaining quality patient care. Through its Performance Improvement and Risk Management Committee, the Board delegates this responsibility to the President/CEO and the Medical Staff Executive Committee, together with the authority for action under limitations described in this Article.
- B. The Board of Directors requires the medical staff and staffs of the hospital departments/services to implement and report on the activities and mechanisms for monitoring and evaluating the quality of patient care, for identifying and resolving problems, and for identifying opportunities to improve patient care.
- C. The Board of Directors, through the President/CEO, shall fully support performance improvement activities and mechanisms. The Board through the President/CEO shall also provide for adequate resources and support systems for the performance improvement functions related to patient care and safety.

- D. The Board of Directors shall assess the effectiveness of the performance improvement program on an annual basis and shall re-endorse or revise the program as necessary. A record of this assessment shall be maintained and communicated to the Performance Improvement and Risk Management Committee, President/CEO, and the Medical Executive Committee.
- E. The Board of Directors shall support and be committed to the Corporate Compliance Program implemented by this Corporation, and shall utilize their best efforts to ensure compliance within the Corporation and shall acknowledge their responsibility, as the body, for ensuring development and maintenance of the Corporate Compliance Program, through the President/CEO, Corporate Compliance Officer and the Corporation's administrative staff.

SECTION 2. Functions - The Medical Staff

- A. The Medical Staff through its officers, departments, committees and individual members shall make a commitment to actively participate in the performance improvement program by developing indicators to be used for screening, evaluating and utilizing critical clinical judgement concerning identified problems or opportunities to improve care. Findings shall be reported to the Board through appropriate channels. Priority shall be given to those aspects of care which are high-volume, high-risk or problem-prone.
- B. Department Chairmen are responsible for assuring the implementation of a planned and systematic process for monitoring and evaluating the quality and appropriateness of the care and treatment of patients served by the departments and the clinical performance of all individuals with clinical privileges in those departments. When important problems in patient care and clinical performance or opportunities to improve care are identified, action shall be taken and the effectiveness of the action taken evaluated.
- C. The Chairman of the Medical Staff shall facilitate and coordinate medical staff involvement in the performance improvement program. This official, together with the President/CEO shall serve as staff to the Performance Improvement and Risk Management Committee and to the Board on performance improvement matters.
- D. The Board of Directors, through the Performance Improvement and Risk Management Committee, delegates oversight of the hospital-wide performance improvement program as it pertains to the Medical Staff to the Executive Committee of the Medical Staff.

SECTION 3. Functions - Administration

- A. The President/CEO is responsible for implementation of the performance improvement program as it concerns non-physician professionals and technical staffs and patient care units. This official shall actively support the performance improvement program by the provision of adequate resources.
- B. The President/CEO may delegate responsibility for assessing individual patient care related functions to the appropriate hospital department and service directors.
- C. The President/CEO shall delegate appropriate authority and responsibility to those responsible for hospital-wide performance improvement functions.
- D. The President/CEO, through the Administrative Staff, shall provide support for the establishment and maintenance of an operational linkage between the risk management functions related to the clinical aspects of patient care and safety and the performance improvement functions.
- E. The President/CEO shall assure himself that existing information from risk management activities that may be useful in identifying clinical problems and/or opportunities to improve the quality of patient care is accessible to the performance improvement functions.

ARTICLE XIX
AUXILIARY ORGANIZATIONS

SECTION 1.

Approval of the Board of Directors is required prior to any auxiliary organization performing services for or within the Mountain States Health Alliance Hospital. Such proposals shall state the purpose, function, restrictive activities, organizational structure and any other condition as may be imposed by the Board and/or the Hospital President. A major criteria in the approval of an auxiliary shall be the extent of its service and the potential effectiveness in serving the general welfare of patients and their families.

SECTION 2.

No individual shall be permitted to perform volunteer services for or within the Hospital without being a member of a Board approved auxiliary.

SECTION 3.

Bylaws of an approved auxiliary shall be approved by the Board of Directors and reviewed annually. Periodically the Hospital President shall keep the Board informed of volunteer activities and the supervision exercised over the functions performed.

ARTICLE XX
AMENDING THE BYLAWS

These Bylaws may be altered, amended, or changed, or new, or additional Bylaws adopted by the affirmative vote of two-thirds (2/3) of the members of the Board of Directors present at any regular meeting at which a quorum is present or at any special meeting called for that purpose at which a quorum is present. As required by statute, the Bylaws may also be amended by the Corporation Membership at a regular or special meeting upon approval of two-thirds (2/3) of the votes cast, a quorum being present, or by a majority of the membership. In this event the amended Bylaws would be binding upon the Board of Directors. A review of the Bylaws shall be conducted annually to insure they are current and meet all accreditation standards and other requirements. This review shall be recorded in the minutes of the Board of Directors meeting.

ARTICLE XXI
GOALS AND OBJECTIVES OF THE HOSPITAL

SECTION 1.

The mission or purpose of the Corporation is set forth in the Charter granted to the Corporation on April 12, 1945 and amended on April 6, 1983.

SECTION 2.

The specific goals of the hospital to accomplish the mission for which a Corporate Charter was granted are as follows:

- A. To promote and provide a complete range of high quality personal health care services in a manner that is compassionate, effective, and responsive to changing technologies and patients' needs.
- B. To maintain and continuously develop effective working relationships among the Board of Directors--its officers and committees, the Medical Staff--its officers and committees and the Hospital Administration and all hospital-paid employees and volunteers.

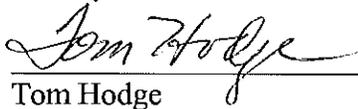
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- C. To employ and maintain advanced management practices in the hospital with a continuous reevaluation of the organization's functions and relationships to promote optimal utilization of resources.
- D. To coordinate the role of the hospital in the community with activities of nonprofit governmental and proprietary agencies and institutions which are involved in all types of planning, health care and health educational programs.
- E. To provide a positive personnel relations program so as to employ and retain the best qualified and most competent persons to perform services for patients consistent with the resources available to the hospital.
- F. To plan the future of the Hospital so that the Hospital will have an orderly growth and development in both its programs and resources with input provided from Administration, the Medical Staff, departmental officials and other appropriate and justified advisors.

Date of last review and revision by Board of Directors:

January 25, 1999



Tom Hodge
Chairman

Dennis Vonderfecht
President and Chief
Executive Officer

Date

BYLAWS

MOUNTAIN STATES HEALTH ALLIANCE

DATE OF LAST REVIEW AND REVISION:

March 17, 2000

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BYLAWS

MOUNTAIN STATES HEALTH ALLIANCE

JOHNSON CITY, TENNESSEE

This is a nonprofit Corporation duly and properly incorporated by charter dated the 29th day of March, 1945 and recorded in the Office of the Secretary of State of the State of Tennessee in Miscellaneous Book A 2 on the 12th day of April, 1945, and amended as to name on the 22nd day of March, 1983, as recorded in the Office of the Secretary of State of the State of Tennessee on April 6, 1983. Further amendment as to name was recorded in the Office of the Secretary of State of the State of Tennessee on January 7, 1999.

**ARTICLE I
PRINCIPAL OFFICE OF THE CORPORATION**

The Principal Office of the Corporation shall be at 400 State of Franklin Road, Johnson City, Tennessee.

**ARTICLE II
MEMBERSHIP OF THE CORPORATION**

SECTION 1.

Membership in the Corporation shall consist of persons, firms or corporations subscribing to the capital fund of the Mountain States Health Alliance, or those who contribute through gift or otherwise the sum of not less than one hundred dollars (\$100.00), and who maintain their membership through any annual or periodic fee the Corporation may approve. Provided, however, except for those presently holding membership in the Corporation, that no person, firm or corporation employed by or having any interest in any hospital or health care institution competing with Mountain States Health Alliance, shall be eligible for membership. Provided further that the Board of Directors shall have the right to refuse to grant membership in the Corporation for any other reason suitable to them, coupled with the right to refuse to accept any subscription or gift made or tendered upon condition that the subscribers or givers shall become members of the corporation.

SECTION 2.

Voting rights of the membership shall be limited to persons named on the certificate for individual membership and those named by letter of designation from the institutional/

business membership. Each individual or institution/ business will be entitled to one membership certificate and one vote, either in person or by proxy.

SECTION 3.

The membership shall meet at least annually to elect new Board Members and to receive reports on the operation and financial status of the Corporation. Under the provisions of the Charter of the Mountain States Health Alliance, the Board of Directors shall be charged with the responsibility of carrying out all of the functions of the Corporation permitted by the Charter.

ARTICLE III
MEETINGS OF THE MEMBERSHIP

SECTION 1.

The annual meeting of the membership shall be held on the third Tuesday of June, at an hour and place determined by the Chairman, Board of Directors. Special meetings of the membership may be called by the Board of Directors, or by the Chairman, upon reasonable notice, but not less than fifteen days (15) prior to the meeting. A special meeting may also be requested if ten percent (10%) of the membership so desires, by signed petition, to consider any matter that must be approved by the membership. Any such request shall specify the agenda to be discussed and the reasons therefore. Notices pertaining to the annual or special meetings shall be given by advertisement in a newspaper published in Johnson City or Washington County, Tennessee or by personal notice mailed to the members, one month preceding the annual meeting and at least fifteen days prior to special meetings.

SECTION 2.

At any meeting of this membership, annual or special, ten (10) percent of the membership or not less than seventy five (75) in person, whichever is smaller, shall constitute a quorum for the transaction of business.

**ARTICLE IV
BOARD OF DIRECTORS**

SECTION 1.

The management of all affairs of the Corporation shall be vested in a Board of Directors consisting of not less than nine (9) and not more than fourteen (14) persons, including the President/CEO, designated and elected as follows:

- A. To be eligible to serve on the Board of Directors of Mountain States Health Alliance individuals must:
1. Possess one or more of the competencies established from time to time by the Board.
 2. Be a Member of the Corporation or the designated representative of a institution/business membership; and
 3. Be elected by the Membership at an annual meeting of the Corporation, except as provided in SECTION 4 of this ARTICLE.
- B. In addition to the individuals referenced above, the President/Chief Executive Officer of the Corporation shall serve as an Ex-Officio member of the Board, with full privileges of a member of the Board, including the right to vote. The President/Chief Executive Officer shall retain this position on the Board for so long as he/she holds the position of President/Chief Executive Officer

SECTION 2.

Except for the Ex-Officio Member, Directors shall be elected for a term of three (3) years and shall hold office until their successors are elected. One third of the Directors, except the Ex-Officio Member, shall be elected each year for a three year term so that said terms are staggered. Any person who has served three consecutive terms (a partial term shall not be considered as a full term for the purpose of this SECTION) shall not be eligible to serve as a Director for a period of one year following the termination of his/her third successive term as a Director. A Director who serves as Chairman during the last year of his third consecutive term may remain as a Director for one additional year and then shall not be eligible to serve as a Director for a period of one year following the termination of his/her third successive term plus one year as past Chairman. At those times when the past Chairman remains on the Board, as herein provided for, the Board shall consist of not more than fifteen (15) persons. Newly elected

Board Members shall take office at the first meeting of the Board following the annual meeting of the membership. Any directors elected to a term after January 1, 2000, shall be eligible to serve as fully as permitted hereunder, regardless of whether they have previously served a term(s) as a Director.

SECTION 3.

Directors, other than the Ex-Officio director, shall be elected by the membership at its annual meeting by the procedures described below:

- A. A Nominating Committee comprised of no less than three (3) and no more than six (6) individuals shall be recommended to the Board by the Chairman of the Board. In recommending such individuals, the Chairman should attempt to select persons who are familiar with: the strategic directions of Mountain States Health Alliance; the communities throughout the region Mountain States Health Alliance serves; the healthcare environment in general; as well as the competencies which are needed on the Board. Upon receipt of the recommendations from the Chairman, the Board shall approve or disapprove each of the individuals recommended by the Chairman. The President/CEO of Mountain States Health Alliance shall serve as an ex-officio, non-voting member of this Committee. Upon approval of the Nominating Committee by the Board the Chairman of the Board shall appoint one (1) of these members as Chairperson of this committee. The appointed Chairperson of this committee, along with all members of the Nominating Committee, shall be made known to the membership.

The Nominating Committee shall nominate a slate of candidates from the membership, with one (1) candidate for each vacancy to be filled. Prior to ballots being distributed, the Nominating Committee shall present the slate of nominations to the Board of Directors, for approval of each nominee by majority vote of the Directors. Ballots, provided by the Nominating Committee, shall then be sent to each voting membership not less than ten (10) days prior to the annual meeting of the membership. Ballots shall contain the names of the persons nominated and said ballots shall have blank lines under the names of those being nominated to enable the voting membership the opportunity to write in the names of other persons for whom they desire to vote for as Director. The nominees (including write-ins) receiving the greatest number of votes shall be elected to the respective vacancies to be filled.

- B. Enclosed along with the ballots prepared by the Nominating Committee, there shall be a return envelope addressed to the Director of Corporate Audit for Mountain States Health Alliance. The ballot shall be either mailed or returned in the enclosed envelope so that it reaches the date of the annual meeting of the membership or the envelope may be brought by the voting member to said annual meeting and deposited by the voter in the ballot box. In order for the ballot to be considered eligible for tally, the name of the member voting shall appear on the back of the envelope containing the member's ballot. All ballots

received prior to 5:00 p.m. on the day of the annual meeting shall be placed in the ballot box which will be locked and kept in the sole possession of the Director of Corporate Audit.

- C. After 5:00 p.m. on the date of the annual meeting, and before the start of the meeting, all ballots mailed to the Director of Corporate Audit, shall be tallied by him/her with such additional assistance as may be required. Results of the balloting will not be revealed until after ballots brought to the annual meeting have been tallied and added to the previous totals. A certification, signed by the Director of Corporate Audit shall be given to the Chairman, Board of Directors, during the annual meeting, and said certification shall attest to the accuracy of the ballot count and the number of votes each nominee received.

SECTION 4.

Vacancies occurring on the Board of Directors by resignation, death or otherwise shall be filled as follows: The Nominating Committee shall submit the name of one individual for each vacancy for consideration and vote by the Board of Directors. Any such vote shall be by majority vote of the remaining Directors at any regularly called or specially called meeting of said Directors. This process shall continue until the vacancy or vacancies have been filled. Any Director thus elected to fill any vacancy shall hold office for the unexpired term of his/her predecessor.

SECTION 5.

A quorum at all meetings of the Board of Directors shall consist of a majority of the whole Board. If there is less than a quorum at any meeting, the meeting may be adjourned and held on a subsequent date without the usual notice provided a quorum is present at such deferred meeting.

SECTION 6.

Committees of the Board of Directors shall be standing and, when so indicated, special committees maybe appointed.

- A. Standing committees shall be an Executive Committee; a Nominating Committee and a Corporate Audit and Compliance Committee. Special committees may be appointed by the Chairman of the Board for specific assignments and for a specified duration.
- B. All Committees of the Board of Directors, except the Executive Committee, shall be appointed by the Chairman within two (2) weeks after he/she is elected. However, these appointments shall be subject to confirmation or rejection by the Board of Directors at its first meeting following the Chairman's designation of Committee Membership.

- C. A quorum at any committee meeting shall consist of a majority of the entire membership of the committee.
- D. Standing committees shall have the power to act only as stated in these Bylaws or as conferred by the Board of Directors. Special committees shall perform only those duties as may be assigned by the Chairman or the Board of Directors. All committees shall have a chairman, who must be a member of the committee, and a secretary who need not be a member of the committee.

SECTION 7.

Directors shall not be paid a salary for their services. They may, however, be paid for actual expenses incurred when on authorized business of the Corporation.

SECTION 8.

Meetings of the Board of Directors shall be held not less than quarterly and on a day and specific time voted on by the Board of Directors. These meetings shall be held in the offices of the Corporation or at such other places as the Directors may, from time to time, designate. Special meetings of the Board may be called at any time by the Chairman or the Secretary or by one-third of the Directors, upon five (5) days personal or written notice being given to each Director.

SECTION 9.

It is expected that all Directors attend every meeting of the Board and every meeting of a Board committee of which he or she is a member. Absences may be excused for such reasons as illness, unavoidable absence from the city or unavoidable conflict for personal or business reasons. An excused absence will be recorded as such in the minutes of the meeting. It shall be the responsibility of each Board member to notify the Secretary of the Board in advance if he or she cannot attend a meeting and the reason(s) therefore. Secretaries of Board Committees shall likewise be notified in advance if a member cannot attend a meeting. Absences at Board and Committee Meetings shall be reviewed quarterly by the Chairman to determine whether absences, for whatever reason(s), warrants continuation on the Board. A Director who is absent from three consecutive Board meetings, or more than twenty five percent (25%) of the Board meetings in a calendar year, shall be removed from the Board, unless the Board determines, at its next meeting, in its discretion, that there are extenuating reasons for any such excessive absences. If it is determined that a Director shall be removed from the Board due to excessive absences, the Director shall be so notified by the Secretary of the Board.

SECTION 10.

Paid employees of the Mountain States Health Alliance may not be elected to the Board of Directors, but, as set forth in Section 1B. above, the President/CEO may serve as a voting, Ex Officio member of the Board of Directors.

SECTION 11.

Mountain States Health Alliance shall indemnify any individual made a party to a civil or criminal proceeding because the individual is or was a Director or Officer of Mountain States Health Alliance, against any liabilities and expenses incurred in the proceeding as allowed by T.C.A. Section 48-58-502 and T.C.A. Section 48-58-507. This indemnification may include Mountain States Health Alliance, advancing reasonable expenses incurred by a Director or Officer who is a party to such a proceeding as allowed by T.C.A. Section 48-58-504.

SECTION 12.

All members of the Board of Directors, Board Committees, Officers of this Corporation, and Key Management Personnel of this Corporation shall comply with the organization's "Conflict of Interest Policy", including the annual completion and submission of the "Acknowledgment Form" and "Disclosure Statement" that are a part of this Policy. In addition, all members of the Board of Directors shall complete and submit annually the "Board Members Confidentiality Agreement".

As used in the Policy and these Bylaws, the term "Conflict of Interest" is defined as being applicable as follows:

"Conflicting Interest" shall mean service as a member, shareholder, trustee, owner, partner, director, officer, or employee of any organization or governmental entity that either:

- (i) competes with this Corporation or any Affiliate, or
- (ii) is involved or is likely to become involved in any litigation or adversarial proceeding with this Corporation or any Affiliate or
- (iii) is seeking or soliciting funds or other substantial benefits from this Corporation.

"Financial Interest" shall mean any arrangement or transaction pursuant to which an Interested Person has, directly or indirectly, through business, investment or family, either:

- (i) a present or potential ownership, investment interest or compensation arrangement in any entity with which this Corporation or any Affiliate has or may have a transaction or arrangement; or
- (ii) a compensation arrangement with this Corporation or any entity or individual with which this Corporation or any Affiliate has or may have a transaction or arrangement.

**ARTICLE V
OFFICERS OF THE BOARD**

The officers of the Corporation shall be a Chairman, a Vice Chairman, a Secretary, and a Treasurer. The Board of Directors shall elect these officers at the organizational meeting of the Board following the annual meeting of the membership of the Corporation. Officers shall take office on the first day of the month following their election and shall hold office for one year from and after their election or until their successors shall be elected and assume their duties.

**ARTICLE VI
DUTIES OF THE CHAIRMAN OF THE BOARD**

It shall be the duty of the Chairman to preside at all meetings of the Board of Directors; to sign all membership certificates; to execute all contracts that require the Chairman's signature in the name of the Corporation; and to perform all other duties usually associated with the office of Chairman of a Corporation. In addition, it is required that the Board of Directors evaluate its own performance. The leadership for this review of performance rests with the Chairman. A formalized mechanism shall be adopted to conduct a performance evaluation, including but not limited to attendance, participation, accomplishment of hospital goals, involvement in programs of continuing education in fields of health and management, and performance improvement mechanisms. Evaluations shall be documented, reviewed periodically with an objective of correcting weaknesses, and filed with official records of the Board. A Chairman may serve a maximum of two terms as Chairman, each term being one year in duration.

**ARTICLE VII
DUTIES OF THE VICE CHAIRMAN**

The duties of the Vice Chairman shall be to preside at the Board of Directors meeting in the absence of the Chairman and to perform such other duties and have such authority as may be fixed by the Board of Directors.

**ARTICLE VIII
DUTIES OF THE SECRETARY**

The Secretary shall attend all meetings of the Board of Directors and shall keep records of the meetings or cause the same to be done and have said records recorded as minutes of the Board, as well as attend to the giving and serving of all notices. The Secretary shall have charge of all records of the Corporation. In addition, the Secretary shall keep in safe custody the seal of the

Corporation and when so affixed the Secretary shall attest the same by signature. The Secretary shall have the general duties, power, and responsibilities of the Secretary of a Corporation.

ARTICLE IX
DUTIES OF THE TREASURER

The Treasurer shall have responsibility for the safe keeping of funds and securities of the Corporation, shall keep or cause to be kept full and accurate accounts of receipts and disbursements and shall keep or cause to be kept all other accounting records of the Corporation. The Treasurer shall also receive and deposit, or cause the same to be done, all funds of the Corporation coming into his hands in such depository as may be so designated by the Board of Directors and withdraw the same only on checks of the Corporation signed by himself, or others as authorized by the Board of Directors.

ARTICLE X
PRESIDENT AND CHIEF EXECUTIVE OFFICER

SECTION 1.

The Board of Directors shall select and employ a competent and experienced President and CEO who shall report to and be its direct representative in the management of the health care system. This official shall be vested with the necessary authority and responsibility, in accordance with board policies, goals and expressed directions, to: Conduct all financial and business affairs of the Corporation; Maintain and improve quality in cooperation with the medical staffs of its facilities; Act as spokesperson for the Corporation; and Exercise other responsibilities necessary for effective operations.

SECTION 2.

The goals of the hospital are set forth in ARTICLE XX of these Bylaws. It shall be a major duty of the President to extend the goals to terms of measurable objectives or specific end results against which his performance can in part be evaluated by the Board of Directors on an annual basis or more often if indicated.

ARTICLE XI
THE EXECUTIVE COMMITTEE

SECTION 1.

The Executive Committee shall consist of the Chairman, Vice Chairman, Secretary, and

Treasurer of the Board of Directors, and the immediate Past Chairman of the Board of Directors.

SECTION 2.

The Executive Committee shall have the power to transact all regular business of the Corporation during the interim between regular meetings of the Board of Directors, provided that any action taken shall not conflict with the policies and expressed wishes of the Board. All matters of major importance shall be referred to the entire Board of Directors unless the urgency of situation does not permit this delay.

SECTION 3.

The Executive Committee shall meet as necessary, but not less than annually, for the purposes set forth in Section 4.1. The Chairman of the Board shall determine the date and time of meetings.

SECTION 4.

The Executive Committee is also charged with the responsibility for evaluation of the President/CEO and approval of executive compensation.. This committee shall establish a mechanism to quantitatively measure the President's performance of the responsibilities and goals. Participation by and discussion with the President shall be observed in the evaluation process. The Executive Committee will seek input from the entire Board on the President/CEO's performance evaluation and will report its recommendations for compensation.

ARTICLE XII
THE CORPORATE AUDIT AND COMPLIANCE COMMITTEE

SECTION 1.

This Committee shall consist of five (5) to seven (7) members appointed by the Chairman of the Board. The Committee Chairman shall also be appointed by the Chairman of the Board of Directors. The President/CEO of the Corporation shall not serve as a member of this Committee, in order to ensure its objectivity.

SECTION 2.

The Corporate Audit and Compliance Committee shall be responsible for:

- A. Recommending to the Board an external auditor for the Corporation and its entities and

approval of the Annual Audit to the Board of Directors.

- B. Planning and reviewing the Annual Internal Audit Plan and the Annual Compliance Review Plan as recommended by the Directors of Corporate Audit and Compliance Services.
- C. Determining, through audit activities directed by the Directors of Corporate Audit and Compliance Services, the adequacy of checks and controls throughout the Health System to avoid improprieties.
- D. Overseeing the Corporate Compliance Program for greater assurance that the Corporation complies with all laws and regulations applicable to its business operation.
- E. Reviewing external audit reports, internal audit reports, and compliance review reports and insuring that appropriate actions are taken.
- F. Appraising the effectiveness of the entire audit and compliance function and recommending any necessary actions to be taken.

SECTION 3.

The Directors of Corporate Audit and Compliance Services shall report jointly to the President and Chief Executive Officer and the Corporate Audit and Compliance Committee of the Board. Reports of internal audits and compliance reviews will be provided to both parties.

SECTION 4.

This Committee shall meet at least quarterly, but more often if necessary, on a date and time determined by the Chairman.

ARTICLE XIII
THE MEDICAL STAFFS

SECTION 1.

The Medical Staffs of Mountain States Health Alliance shall be responsible to the Board of Directors for the professional care of patients in the Hospitals and for forming and maintaining self-government. The Medical Staffs shall formulate their own sets of Bylaws and submit them to the Board of Directors. They will become effective upon Board approval. The Medical Staff Bylaws shall be consistent with hospital policy and any applicable legal requirement. Only a member of a Medical Staff with admitting privileges may admit a patient to a Mountain States Health Alliance hospital and may practice only within the scope of the privileges granted by the

Board of Directors. Each patient's general medical condition shall be the responsibility of a qualified physician member of the Medical Staff of the hospital in which that patient is a patient.

SECTION 2.

Duties and responsibilities of the Medical Staffs consist of but are not limited to the following:

- A. No applicant shall be denied Medical Staff membership and/or clinical privileges on the basis of sex, race, creed, color, or national origin, or any other criterion lacking professional justification.
- B. The Medical Staff Bylaws will be reviewed and updated annually and will be submitted to the Board of Directors. Changes will become effective upon approval of the Board of Directors.
- C. The Medical Staffs will submit to the Board of Directors written reports and recommendations for appointment and/or reappointment of all members who wish to serve on the Medical Staffs of the various Mountain States Health Alliance hospitals. The written reports shall contain privileges recommended and qualifying data to support the recommendations of each appointment and reappointment.
- D. Appointments to the Medical Staffs shall be no longer than two years. The first six months of an initial appointment will be a provisional period. The applicant will be reviewed at the end of this period for full acceptance, extended provisional status or denial of privileges. The Board of Directors shall rely on the Medical Staffs' recommendation for appointment or reappointment of each physician, dentist, or other health professional applicant based on information concerning: the individual's current licensure; health status, professional performance, judgment, clinical and/or technical skills as indicated in part by the results of performance improvement activities; previously successful or currently pending challenges to any licensure or registration or the voluntary relinquishment of such licensure or registration; voluntary or involuntary limitation, reduction or loss of clinical privileges at another hospital; and involvement in professional liability actions resulting in adverse judgment or settlement.
- E. In no case shall the Board of Directors take action on an appointment, refuse to renew an appointment or cancel an appointment previously made without consultations with the Credentials Committee and/or the Executive Committee of the Medical Staff of the appropriate Mountain States Health Alliance hospital.
- F. The Executive Committee of the Medical Staffs shall submit periodic reports on the quality and appropriateness of patient care and the clinical performance of individuals with clinical privileges. The Board of Directors will approve recommendations of the Medical Staff

Executive Committee for specific programs and procedures for reviewing, evaluating, and maintaining the quality and appropriateness of patient care within the relevant hospital.

- G. When a practitioner receives notice of a recommendation of the Executive Committee or Credentials Committee that will adversely affect his/her appointment as a member of the Medical Staff or his/her exercise of clinical privileges, he/she shall be entitled to a due process hearing as may be allowed by the appropriate Medical Staff Bylaws. It is understood that when the applicant signs the application for appointment to the respective Medical Staffs, he/she agrees to:
- (1) Abide by the Bylaws of the Board of Directors.
 - (2) Abide by the Bylaws, Rules and Regulations of the Medical Staff of the hospital at which he/she is applying for privileges.
 - (3) Give to the relevant hospital immunity from liability as covered under the Medical Staff Bylaws.
- H. The Board of Directors or its designee, the President/CEO, shall inform applicants of the disposition of their application for Medical Staff membership and/or clinical privileges within a reasonable period of time after their application has been submitted.
- I. A physician or dentist whose engagement by a Mountain States Health Alliance hospital requires membership on the Medical Staff and whose duties are medico-administrative in nature shall not have his/her medical staff privileges terminated without the same due process provisions as are provided for any other member of the Medical Staffs, unless otherwise stated by contract, or by the appropriate Medical Staff Bylaws.
- J. The Medical Staff Bylaws shall include a mechanism for review of any adverse decision when requested by the practitioner, unless otherwise set forth by the Medical Staff Bylaws.
- K. The Board of Directors shall adopt a Hearing and Appeal Procedures Plan which has been approved by the respective Medical Staffs and which is included in the Medical Staff Bylaws.
- L. When the Board of Directors does not concur with a particular Medical Staff's recommendation relative to clinical privileges, the practitioner shall be entitled to such due process rights as may be provided by the appropriate Medical Staff Bylaws.
- M. No physician or dentist shall be eligible for appointment or reappointment or continuation as a member of any Medical Staff without satisfactory evidence of current professional liability insurance coverage in an amount of not less than \$1,000,000.00 through an insurance company licensed or approved by the State of Tennessee. At all times the relevant hospital shall have on file a certificate of insurance that is currently in force and it

shall be the physician's responsibility to keep the relevant hospital informed of any changes in such certificate."

- N. Each Medical Staff Executive Committee shall make recommendations on the following areas to the Board of Directors, through their respective Community Boards, for its approval:
- (1) The structure of the respective Medical Staff;
 - (2) The mechanism used to review credentials and to delineate individual clinical privileges;
 - (3) Individual Medical Staff membership;
 - (4) Specific clinical privileges for each eligible individual;
 - (5) The organization of the performance improvement activities of the respective Medical Staff as well as the mechanism used to conduct, evaluate and revise such activities;
 - (6) The mechanism by which membership on the respective Medical Staff may be terminated; and
 - (7) The mechanism for fair-hearing procedures.

ARTICLE XIV
PERFORMANCE IMPROVEMENT PROGRAM

SECTION 1. Authority and Responsibility - Board of Directors

- A. The Board of Directors has ultimate responsibility for quality patient care and authority for maintaining a Performance Improvement and Risk Management program., The Board may delegate this responsibility to the President/CEO and the Community Boards, together with the authority for action under limitations described in this Article.
- B. The Board of Directors requires the medical staffs and staffs of the various departments/services of the hospitals to implement and report on the activities and mechanisms for monitoring and evaluating the quality of patient care, for identifying and resolving problems, and for identifying opportunities to improve patient care.
- C. The Board of Directors, through the President/CEO, shall fully support performance improvement activities and mechanisms. The Board through the President/CEO shall also provide for adequate resources and support systems for the performance improvement functions related to patient care and safety.
- D. The Board of Directors shall assess the effectiveness of the performance improvement program on an annual basis and shall re-endorse or revise the program as necessary. A

record of this assessment shall be maintained and communicated to the President/CEO, and the Community Boards.

- E. The Board of Directors shall support and be committed to the Corporate Compliance Program implemented by this Corporation, and shall utilize their best efforts to ensure compliance within the Corporation and shall acknowledge their responsibility, as the body, for ensuring development and maintenance of the Corporate Compliance Program, through the President/CEO, Corporate Compliance Officer and the Corporation's administrative staff.

SECTION 2. Functions - The Medical Staff

- A. The Medical Staffs of the various hospitals, through their officers, departments, committees and individual members shall make a commitment to actively participate in the performance improvement program by developing indicators to be used for screening, evaluating and utilizing critical clinical judgement concerning identified problems or opportunities to improve care. Findings shall be reported to the Board through appropriate channels. Priority shall be given to those aspects of care which are high-volume, high-risk or problem-prone.
- B. Department Chairmen are responsible for assuring the implementation of a planned and systematic process for monitoring and evaluating the quality and appropriateness of the care and treatment of patients served by the departments and the clinical performance of all individuals with clinical privileges in those departments. When important problems in patient care and clinical performance or opportunities to improve care are identified, action shall be taken and the effectiveness of the action taken evaluated.
- C. The Chairmen of the respective Medical Staffs shall facilitate and coordinate medical staff involvement in the performance improvement program and shall serve as advisor to the respective Community Board on performance improvement matters.
- D. The respective Community Boards may delegate oversight of the hospital-wide performance improvement program as it pertains to the Medical Staff to the Executive Committee of the Medical Staff.

SECTION 3. Functions - Administration

- A. The President/CEO is responsible for implementation of the performance improvement program as it concerns non-physician professionals and technical staffs and patient care units. This official shall actively support the performance improvement program by the provision of adequate resources.

- B. The President/CEO may delegate responsibility for assessing individual patient care related functions to the appropriate hospital department and service directors.
- C. The President/CEO shall delegate appropriate authority and responsibility to those responsible for hospital-wide performance improvement functions.
- D. The President/CEO, through the Administrative Staff, shall provide support for the establishment and maintenance of an operational linkage between the risk management functions related to the clinical aspects of patient care and safety and the performance improvement functions.
- E. The President/CEO shall assure himself that existing information from risk management activities that may be useful in identifying clinical problems and/or opportunities to improve the quality of patient care is accessible to the performance improvement functions.

ARTICLE XV
AUXILIARY ORGANIZATIONS

SECTION 1.

Approval of the Board of Directors is required prior to any auxiliary organization performing services for or within the Mountain States Health Alliance. Such proposals shall state the purpose, function, restrictive activities, organizational structure and any other condition as may be imposed by the Board and/or the President/CEO of the Corporation, or his/her designee. A major criteria in the approval of an auxiliary shall be the extent of its service and the potential effectiveness in serving the general welfare of patients and their families.

SECTION 2.

No individual shall be permitted to perform volunteer services for or within the Health System without being a member of a Board approved auxiliary.

SECTION 3.

Bylaws of an approved auxiliary shall be approved by the Board of Directors and reviewed annually. At least annually, the Auxiliary shall report to the Board regarding volunteer activities.

**ARTICLE XVI
AMENDING THE BYLAWS**

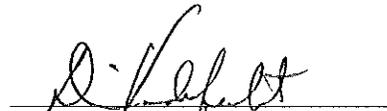
These Bylaws may be altered, amended, or changed, or new, or additional Bylaws adopted by the affirmative vote of two-thirds (2/3) of the members of the Board of Directors present at any regular meeting at which a quorum is present or at any special meeting called for that purpose at which a quorum is present. As required by statute, the Bylaws may also be amended by the Corporation Membership at a regular or special meeting upon approval of two-thirds (2/3) of the votes cast, a quorum being present, or by a majority of the membership. In this event the amended Bylaws would be binding upon the Board of Directors. A review of the Bylaws shall be conducted annually to insure they are current and meet all accreditation standards and other requirements. This review shall be recorded in the minutes of the Board of Directors meeting.

Date of last review and revision by Board of Directors:

March 17, 2000.



Thomas J. Burleson
Chairman



Dennis Vonderfecht
President and Chief
Executive Officer

Dated: March 17, 2000

Mshacompletebylaws
March 17, 2000.

BYLAWS

MOUNTAIN STATES HEALTH ALLIANCE

DATE OF LAST REVIEW AND REVISION:

February 8, 2002

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MOUNTAIN STATES HEALTH ALLIANCE**

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BYLAWS

MOUNTAIN STATES HEALTH ALLIANCE

JOHNSON CITY, TENNESSEE

This is a nonprofit Corporation duly and properly incorporated by charter dated the 29th day of March, 1945 and recorded in the Office of the Secretary of State of the State of Tennessee in Miscellaneous Book A 2 on the 12th day of April, 1945, and amended as to name on the 22nd day of March, 1983, as recorded in the Office of the Secretary of State of the State of Tennessee on April 6, 1983. Further amendment as to name was recorded in the Office of the Secretary of State of the State of Tennessee on January 7, 1999.

ARTICLE I
PRINCIPAL OFFICE OF THE CORPORATION

The Principal Office of the Corporation shall be at 400 State of Franklin Road, Johnson City, Tennessee.

ARTICLE II
MEMBERSHIP OF THE CORPORATION

SECTION 1.

Membership in the Corporation shall consist of persons, firms or corporations subscribing to the capital fund of the Mountain States Health Alliance, or those who contribute through gift or otherwise the sum of not less than one hundred dollars (\$100.00), and who maintain their membership through any annual or periodic fee the Corporation may approve. Provided, however, except for those presently holding membership in the Corporation, that no person, firm or corporation employed by or having any interest in any hospital or health care institution competing with Mountain States Health Alliance, shall be eligible for membership. Provided further that the Board of Directors shall have the right to refuse to grant membership in the Corporation for any other reason suitable to them, coupled with the right to refuse to accept any subscription or gift made or tendered upon condition that the subscribers or givers shall become members of the corporation.

SECTION 2.

Voting rights of the membership shall be limited to persons named on the certificate for individual membership and those named by letter of designation from the institutional/

business membership. Each individual or institution/ business will be entitled to one membership certificate and one vote, either in person or by proxy.

SECTION 3.

The membership shall meet at least annually to elect new Board Members and to receive reports on the operation and financial status of the Corporation. Under the provisions of the Charter of the Mountain States Health Alliance, the Board of Directors shall be charged with the responsibility of carrying out all of the functions of the Corporation permitted by the Charter.

ARTICLE III
MEETINGS OF THE MEMBERSHIP

SECTION 1.

The annual meeting of the membership shall be held on the third Tuesday of June, at an hour and place determined by the Chairman, Board of Directors. Special meetings of the membership may be called by the Board of Directors, or by the Chairman, upon reasonable notice, but not less than fifteen days (15) prior to the meeting. A special meeting may also be requested if ten percent (10%) of the membership so desires, by signed petition, to consider any matter that must be approved by the membership. Any such request shall specify the agenda to be discussed and the reasons therefore. Notices pertaining to the annual or special meetings shall be given by advertisement in a newspaper published in Johnson City or Washington County, Tennessee or by personal notice mailed to the members, one month preceding the annual meeting and at least fifteen days prior to special meetings.

SECTION 2.

At any meeting of this membership, annual or special, ten (10) percent of the membership or not less than seventy five (75) in person, whichever is smaller, shall constitute a quorum for the transaction of business.

**ARTICLE IV
BOARD OF DIRECTORS**

SECTION 1.

The management of all affairs of the Corporation shall be vested in a Board of Directors consisting of not less than nine (9) and not more than fourteen (14) persons, including the President/CEO, designated and elected as follows:

- A. To be eligible to serve on the Board of Directors of Mountain States Health Alliance individuals must:
1. Possess one or more of the competencies established from time to time by the Board.
 2. Be a Member of the Corporation or the designated representative of a institution/business membership; and
 3. Be elected by the Membership at an annual meeting of the Corporation, except as provided in SECTION 4 of this ARTICLE.
- B. In addition to the individuals referenced above, the President/Chief Executive Officer of the Corporation shall serve as an Ex-Officio member of the Board, with full privileges of a member of the Board, including the right to vote. The President/Chief Executive Officer shall retain this position on the Board for so long as he/she holds the position of President/Chief Executive Officer

Additionally, the Board composition shall consist of twentypercent (20%) to twenty-five percent (25%) physician membership.

SECTION 2.

Except for the Ex-Officio Member, Directors shall be elected for a term of three (3) years and shall hold office until their successors are elected. One third of the Directors, except the Ex-Officio Member, shall be elected each year for a three year term so that said terms are staggered. Any person who has served three consecutive terms (a partial term shall not be considered as a full term for the purpose of this SECTION) shall not be eligible to serve as a Director for a period of one year following the termination of his/her third successive term as a Director. A Director who serves as Chairman during the last year of his third consecutive term may remain as a Director for one additional year and then shall not be eligible to serve as a

Director for a period of one year following the termination of his/her third successive term plus one year as past Chairman. At those times when the past Chairman remains on the Board, as herein provided for, the Board shall consist of not more than fifteen (15) persons. Newly elected Board Members shall take office at the first meeting of the Board following the annual meeting of the membership. Any directors elected to a term after January 1, 2000, shall be eligible to serve as fully as permitted hereunder, regardless of whether they have previously served a term(s) as a Director.

SECTION 3.

Directors, other than the Ex-Officio director, shall be elected by the membership at its annual meeting by the procedures described below:

- A. Nominating Committee comprised of no less than three (3) and no more than six (6) individuals shall be recommended to the Board by the Chairman of the Board. In recommending such individuals, the Chairman should attempt to select persons who are familiar with: the strategic directions of Mountain States Health Alliance; the communities throughout the region Mountain States Health Alliance serves; the healthcare environment in general; as well as the competencies which are needed on the Board. Upon receipt of the recommendations from the Chairman, the Board shall approve or disapprove each of the individuals recommended by the Chairman. The President/CEO of Mountain States Health Alliance shall serve as an ex-officio, non-voting member of this Committee. Upon approval of the Nominating Committee by the Board the Chairman of the Board shall appoint one (1) of these members as Chairperson of this committee. The appointed Chairperson of this committee, along with all members of the Nominating Committee, shall be made known to the membership.

The Nominating Committee shall nominate a slate of candidates from the membership, with one (1) candidate for each vacancy to be filled. Prior to ballots being distributed, the Nominating Committee shall present the slate of nominations to the Board of Directors, for approval of each nominee by majority vote of the Directors. Ballots, provided by the Nominating Committee, shall then be sent to each voting membership not less than ten (10) days prior to the annual meeting of the membership. Ballots shall contain the names of the persons nominated and said ballots shall have blank lines under the names of those being nominated to enable the voting membership the opportunity to write in the names of other persons for whom they desire to vote for as Director. The nominees (including write-ins) receiving the greatest number of votes shall be elected to the respective vacancies to be filled.

- B. Enclosed along with the ballots prepared by the Nominating Committee, there shall be a return envelope addressed to the Director of Corporate Audit for Mountain States Health Alliance. The ballot shall be either mailed or returned in the enclosed envelope so that it reaches the date of the annual meeting of the membership or the envelope may be brought

by the voting member to said annual meeting and deposited by the voter in the ballot box. In order for the ballot to be considered eligible for tally, the name of the member voting shall appear on the back of the envelope containing the member's ballot. All ballots received prior to 5:00 p.m. on the day of the annual meeting shall be placed in the ballot box which will be locked and kept in the sole possession of the Director of Corporate Audit.

- C. After 5:00 p.m. on the date of the annual meeting, and before the start of the meeting, all ballots mailed to the Director of Corporate Audit, shall be tallied by him/her with such additional assistance as may be required. Results of the balloting will not be revealed until after ballots brought to the annual meeting have been tallied and added to the previous totals. A certification, signed by the Director of Corporate Audit shall be given to the Chairman, Board of Directors, during the annual meeting, and said certification shall attest to the accuracy of the ballot count and the number of votes each nominee received.

SECTION 4.

Vacancies occurring on the Board of Directors by resignation, death or otherwise shall be filled as follows: The Nominating Committee shall submit the name of one individual for each vacancy for consideration and vote by the Board of Directors. Any such vote shall be by majority vote of the remaining Directors at any regularly called or specially called meeting of said Directors. This process shall continue until the vacancy or vacancies have been filled. Any Director thus elected to fill any vacancy shall hold office for the unexpired term of his/her predecessor.

SECTION 5.

A quorum at all meetings of the Board of Directors shall consist of a majority of the whole Board. If there is less than a quorum at any meeting, the meeting may be adjourned and held on a subsequent date without the usual notice provided a quorum is present at such deferred meeting.

SECTION 6.

Committees of the Board of Directors shall be standing and, when so indicated, special committees maybe appointed.

- A. Standing committees shall be an Executive Committee; a Nominating Committee and a Corporate Audit and Compliance Committee. Special committees may be appointed by the Chairman of the Board for specific assignments and for a specified duration.
- B. All Committees of the Board of Directors, except the Executive Committee, shall be

appointed by the Chairman within two (2) weeks after he/she is elected. However, these appointments shall be subject to confirmation or rejection by the Board of Directors at its first meeting following the Chairman's designation of Committee Membership.

- C. A quorum at any committee meeting shall consist of a majority of the entire membership of the committee.
- D. Standing committees shall have the power to act only as stated in these Bylaws or as conferred by the Board of Directors. Special committees shall perform only those duties as may be assigned by the Chairman or the Board of Directors. All committees shall have a chairman, who must be a member of the committee, and a secretary who need not be a member of the committee.

SECTION 7.

Directors shall not be paid a salary for their services. They may, however, be paid for actual expenses incurred when on authorized business of the Corporation.

SECTION 8.

Meetings of the Board of Directors shall be held not less than quarterly and on a day and specific time voted on by the Board of Directors. These meetings shall be held in the offices of the Corporation or at such other places as the Directors may, from time to time, designate. Special meetings of the Board may be called at any time by the Chairman or the Secretary or by one-third of the Directors, upon five (5) days personal or written notice being given to each Director.

SECTION 9.

It is expected that all Directors attend every meeting of the Board and every meeting of a Board committee of which he or she is a member. Absences may be excused for such reasons as illness, unavoidable absence from the city or unavoidable conflict for personal or business reasons. An excused absence will be recorded as such in the minutes of the meeting. It shall be the responsibility of each Board member to notify the Secretary of the Board in advance if he or she cannot attend a meeting and the reason(s) therefore. Secretaries of Board Committees shall likewise be notified in advance if a member cannot attend a meeting. Absences at Board and Committee Meetings shall be reviewed quarterly by the Chairman to determine whether absences, for whatever reason(s), warrants continuation on the Board. A Director who is absent from three consecutive Board meetings, or more than twenty five percent (25%) of the Board meetings in a calendar year, shall be removed from the Board, unless the Board determines, at its next meeting, in its discretion, that there are extenuating reasons for any such excessive absences. If it is determined that a Director shall be removed from the Board due to excessive

absences, the Director shall be so notified by the Secretary of the Board.

SECTION 10.

Paid employees of the Mountain States Health Alliance may not be elected to the Board of Directors, but, as set forth in Section 1B. above, the President/CEO may serve as a voting, Ex Officio member of the Board of Directors.

SECTION 11.

Mountain States Health Alliance shall indemnify any individual made a party to a civil or criminal proceeding because the individual is or was a Director or Officer of Mountain States Health Alliance, against any liabilities and expenses incurred in the proceeding as allowed by T.C.A. Section 48-58-502 and T.C.A. Section 48-58-507. This indemnification may include Mountain States Health Alliance, advancing reasonable expenses incurred by a Director or Officer who is a party to such a proceeding as allowed by T.C.A. Section 48-58-504.

SECTION 12.

All members of the Board of Directors, Board Committees, Officers of this Corporation, and Key Management Personnel of this Corporation shall comply with the organization's "Conflict of Interest Policy", including the annual completion and submission of the "Acknowledgment Form" and "Disclosure Statement" that are a part of this Policy. In addition, all members of the Board of Directors shall complete and submit annually the "Board Members Confidentiality Agreement".

As used in the Policy and these Bylaws, the term "Conflict of Interest" is defined as being applicable as follows:

"Conflicting Interest" shall mean service as a member, shareholder, trustee, owner, partner, director, officer, or employee of any organization or governmental entity that either:

- (i) competes with this Corporation or any Affiliate, or
- (ii) is involved or is likely to become involved in any litigation or adversarial proceeding with this Corporation or any Affiliate or
- (iii) is seeking or soliciting funds or other substantial benefits from this Corporation.

"Financial Interest" shall mean any arrangement or transaction pursuant to which an Interested Person has, directly or indirectly, through business, investment or family, either:

- (i) a present or potential ownership, investment interest or compensation arrangement in any entity with which this Corporation or any Affiliate has or may have a transaction or arrangement; or

- (ii) a compensation arrangement with this Corporation or any entity or individual with which this Corporation or any Affiliate has or may have a transaction or arrangement.

ARTICLE V
OFFICERS OF THE BOARD

The officers of the Corporation shall be a Chairman, a Vice Chairman, a Secretary, and a Treasurer. The Board of Directors shall elect these officers at the organizational meeting of the Board following the annual meeting of the membership of the Corporation. Officers shall take office on the first day of the month following their election and shall hold office for one year from and after their election or until their successors shall be elected and assume their duties.

ARTICLE VI
DUTIES OF THE CHAIRMAN OF THE BOARD

It shall be the duty of the Chairman to preside at all meetings of the Board of Directors; to sign all membership certificates; to execute all contracts that require the Chairman's signature in the name of the Corporation; and to perform all other duties usually associated with the office of Chairman of a Corporation. In addition, it is required that the Board of Directors evaluate its own performance. The leadership for this review of performance rests with the Chairman. A formalized mechanism shall be adopted to conduct a performance evaluation, including but not limited to attendance, participation, accomplishment of hospital goals, involvement in programs of continuing education in fields of health and management, and performance improvement mechanisms. Evaluations shall be documented, reviewed periodically with an objective of correcting weaknesses, and filed with official records of the Board. A Chairman may serve a maximum of two terms as Chairman, each term being one year in duration.

ARTICLE VII

DUTIES OF THE VICE CHAIRMAN

The duties of the Vice Chairman shall be to preside at the Board of Directors meeting in the absence of the Chairman and to perform such other duties and have such authority as may be fixed by the Board of Directors.

ARTICLE VIII

DUTIES OF THE SECRETARY

The Secretary shall attend all meetings of the Board of Directors and shall keep records of the meetings or cause the same to be done and have said records recorded as minutes of the Board, as well as attend to the giving and serving of all notices. The Secretary shall have charge of all records of the Corporation. In addition, the Secretary shall keep in safe custody the seal of the Corporation and when so affixed the Secretary shall attest the same by signature. The Secretary shall have the general duties, power, and responsibilities of the Secretary of a Corporation.

ARTICLE IX

DUTIES OF THE TREASURER

The Treasurer shall have responsibility for the safe keeping of funds and securities of the Corporation, shall keep or cause to be kept full and accurate accounts of receipts and disbursements and shall keep or cause to be kept all other accounting records of the Corporation. The Treasurer shall also receive and deposit, or cause the same to be done, all funds of the Corporation coming into his hands in such depository as may be so designated by the Board of Directors and withdraw the same only on checks of the Corporation signed by himself, or others as authorized by the Board of Directors.

ARTICLE X

PRESIDENT AND CHIEF EXECUTIVE OFFICER

SECTION 1.

The Board of Directors shall select and employ a competent and experienced President and CEO who shall report to and be its direct representative in the management of the health care system. This official shall be vested with the necessary authority and responsibility, in accordance with board policies, goals and expressed directions, to: Conduct all financial and business affairs of the Corporation; Maintain and improve quality in cooperation with the medical staffs of its facilities; Act as spokesperson for the Corporation; and Exercise other responsibilities necessary for effective operations.

SECTION 2.

The goals of the hospital are set forth in ARTICLE XX of these Bylaws. It shall be a major duty of the President to extend the goals to terms of measurable objectives or specific end results against which his performance can in part be evaluated by the Board of Directors on an annual basis or more often if indicated.

**ARTICLE XI
THE EXECUTIVE COMMITTEE**

SECTION 1.

The Executive Committee shall consist of the Chairman, Vice Chairman, Secretary, and Treasurer of the Board of Directors, and the immediate Past Chairman of the Board of Directors.

SECTION 2.

The Executive Committee shall have the power to transact all regular business of the Corporation during the interim between regular meetings of the Board of Directors, provided that any action taken shall not conflict with the policies and expressed wishes of the Board. All matters of major importance shall be referred to the entire Board of Directors unless the urgency of situation does not permit this delay.

SECTION 3.

The Executive Committee shall meet as necessary, but not less than annually, for the purposes set forth in Section 4.1. The Chairman of the Board shall determine the date and time of meetings.

SECTION 4.

The Executive Committee is also charged with the responsibility for evaluation of the President/CEO and approval of executive compensation.. This committee shall establish a mechanism to quantitatively measure the President's performance of the responsibilities and goals. Participation by and discussion with the President shall be observed in the evaluation process. The Executive Committee will seek input from the entire Board on the President/CEO's performance evaluation and will report its recommendations for compensation.

**ARTICLE XII
THE CORPORATE AUDIT AND COMPLIANCE COMMITTEE**

SECTION 1.

This Committee shall consist of five (5) to seven (7) members appointed by the Chairman of the Board. The Committee Chairman shall also be appointed by the Chairman of the Board of Directors. The President/CEO of the Corporation shall not serve as a member of this

Committee, in order to ensure its objectivity.

SECTION 2.

The Corporate Audit and Compliance Committee shall be responsible for:

- A. Recommending to the Board an external auditor for the Corporation and its entities and approval of the Annual Audit to the Board of Directors.
- B. Planning and reviewing the Annual Internal Audit Plan and the Annual Compliance Review Plan as recommended by the Directors of Corporate Audit and Compliance Services.
- C. Determining, through audit activities directed by the Directors of Corporate Audit and Compliance Services, the adequacy of checks and controls throughout the Health System to avoid improprieties.
- D. Overseeing the Corporate Compliance Program for greater assurance that the Corporation complies with all laws and regulations applicable to its business operation.
- E. Reviewing external audit reports, internal audit reports, and compliance review reports and insuring that appropriate actions are taken.
- F. Appraising the effectiveness of the entire audit and compliance function and recommending any necessary actions to be taken.

SECTION 3.

The Directors of Corporate Audit and Compliance Services shall report jointly to the President and Chief Executive Officer and the Corporate Audit and Compliance Committee of the Board. Reports of internal audits and compliance reviews will be provided to both parties.

SECTION 4.

This Committee shall meet at least quarterly, but more often if necessary, on a date and time determined by the Chairman.

**ARTICLE XIII
THE MEDICAL STAFFS**

SECTION 1.

The Medical Staffs of Mountain States Health Alliance shall be responsible to the Board of Directors for the professional care of patients in the Hospitals and for forming and maintaining self-government. The Medical Staffs shall formulate their own sets of Bylaws and submit them to the Board of Directors. They will become effective upon Board approval. The Medical Staff Bylaws shall be consistent with hospital policy and any applicable legal requirement. Only a member of a Medical Staff with admitting privileges may admit a patient to a Mountain States Health Alliance hospital and may practice only within the scope of the privileges granted by the Board of Directors. Each patient's general medical condition shall be the responsibility of a qualified physician member of the Medical Staff of the hospital in which that patient is a patient.

SECTION 2.

Duties and responsibilities of the Medical Staffs consist of but are not limited to the following:

- A. No applicant shall be denied Medical Staff membership and/or clinical privileges on the basis of sex, race, creed, color, or national origin, or any other criterion lacking professional justification.
- B. The Medical Staff Bylaws will be reviewed and updated annually and will be submitted to the Board of Directors. Changes will become effective upon approval of the Board of Directors.
- C. The Medical Staffs will submit to the Board of Directors written reports and recommendations for appointment and/or reappointment of all members who wish to serve on the Medical Staffs of the various Mountain States Health Alliance hospitals. The written reports shall contain privileges recommended and qualifying data to support the recommendations of each appointment and reappointment.
- D. Appointments to the Medical Staffs shall be no longer than two years. The first six months of an initial appointment will be a provisional period. The applicant will be reviewed at the end of this period for full acceptance, extended provisional status or denial of privileges. The Board of Directors shall rely on the Medical Staffs' recommendation for appointment or reappointment of each physician, dentist, or other health professional applicant based on information concerning: the individual's current licensure; health status, professional performance, judgment, clinical and/or technical skills as indicated in part by the results of performance improvement activities; previously successful or currently pending challenges

to any licensure or registration or the voluntary relinquishment of such licensure or registration; voluntary or involuntary limitation, reduction or loss of clinical privileges at another hospital; and involvement in professional liability actions resulting in adverse judgment or settlement.

- E. In no case shall the Board of Directors take action on an appointment, refuse to renew an appointment or cancel an appointment previously made without consultations with the Credentials Committee and/or the Executive Committee of the Medical Staff of the appropriate Mountain States Health Alliance hospital.
- F. The Executive Committee of the Medical Staffs shall submit periodic reports on the quality and appropriateness of patient care and the clinical performance of individuals with clinical privileges. The Board of Directors will approve recommendations of the Medical Staff Executive Committee for specific programs and procedures for reviewing, evaluating, and maintaining the quality and appropriateness of patient care within the relevant hospital.
- G. When a practitioner receives notice of a recommendation of the Executive Committee or Credentials Committee that will adversely affect his/her appointment as a member of the Medical Staff or his/her exercise of clinical privileges, he/she shall be entitled to a due process hearing as may be allowed by the appropriate Medical Staff Bylaws. It is understood that when the applicant signs the application for appointment to the respective Medical Staffs, he/she agrees to:
 - (1) Abide by the Bylaws of the Board of Directors.
 - (2) Abide by the Bylaws, Rules and Regulations of the Medical Staff of the hospital at which he/she is applying for privileges.
 - (3) Give to the relevant hospital immunity from liability as covered under the Medical Staff Bylaws.
- H. The Board of Directors or its designee, the President/CEO, shall inform applicants of the disposition of their application for Medical Staff membership and/or clinical privileges within a reasonable period of time after their application has been submitted.
- I. A physician or dentist whose engagement by a Mountain States Health Alliance hospital requires membership on the Medical Staff and whose duties are medico-administrative in nature shall not have his/her medical staff privileges terminated without the same due process provisions as are provided for any other member of the Medical Staffs, unless otherwise stated by contract, or by the appropriate Medical Staff Bylaws.
- J. The Medical Staff Bylaws shall include a mechanism for review of any adverse decision when requested by the practitioner, unless otherwise set forth by the Medical Staff Bylaws.

- K. The Board of Directors shall adopt a Hearing and Appeal Procedures Plan which has been approved by the respective Medical Staffs and which is included in the Medical Staff Bylaws.
- L. When the Board of Directors does not concur with a particular Medical Staff's recommendation relative to clinical privileges, the practitioner shall be entitled to such due process rights as may be provided by the appropriate Medical Staff Bylaws.
- M. No physician or dentist shall be eligible for appointment or reappointment or continuation as a member of any Medical Staff without satisfactory evidence of current professional liability insurance coverage in an amount of not less than \$1,000,000.00 through an insurance company licensed or approved by the State of Tennessee. At all times the relevant hospital shall have on file a certificate of insurance that is currently in force and it shall be the physician's responsibility to keep the relevant hospital informed of any changes in such certificate."
- N. Each Medical Staff Executive Committee shall make recommendations on the following areas to the Board of Directors, through their respective Community Boards, for its approval:
 - (1) The structure of the respective Medical Staff;
 - (2) The mechanism used to review credentials and to delineate individual clinical privileges;
 - (3) Individual Medical Staff membership;
 - (4) Specific clinical privileges for each eligible individual;
 - (5) The organization of the performance improvement activities of the respective Medical Staff as well as the mechanism used to conduct, evaluate and revise such activities;
 - (6) The mechanism by which membership on the respective Medical Staff may be terminated; and
 - (7) The mechanism for fair-hearing procedures.

**ARTICLE XIV
PERFORMANCE IMPROVEMENT PROGRAM**

SECTION 1. Authority and Responsibility - Board of Directors

- A. The Board of Directors has ultimate responsibility for quality patient care and authority for maintaining a Performance Improvement and Risk Management program., The Board may delegate this responsibility to the President/CEO and the Community Boards, together with the authority for action under limitations described in this Article.

- B. The Board of Directors requires the medical staffs and staffs of the various departments/services of the hospitals to implement and report on the activities and mechanisms for monitoring and evaluating the quality of patient care, for identifying and resolving problems, and for identifying opportunities to improve patient care.
- C. The Board of Directors, through the President/CEO, shall fully support performance improvement activities and mechanisms. The Board through the President/CEO shall also provide for adequate resources and support systems for the performance improvement functions related to patient care and safety.
- D. The Board of Directors shall assess the effectiveness of the performance improvement program on an annual basis and shall re-endorse or revise the program as necessary. A record of this assessment shall be maintained and communicated to the President/CEO, and the Community Boards.
- E. The Board of Directors shall support and be committed to the Corporate Compliance Program implemented by this Corporation, and shall utilize their best efforts to ensure compliance within the Corporation and shall acknowledge their responsibility, as the body, for ensuring development and maintenance of the Corporate Compliance Program, through the President/CEO, Corporate Compliance Officer and the Corporation's administrative staff.

SECTION 2. Functions - The Medical Staff

- A. The Medical Staffs of the various hospitals, through their officers, departments, committees and individual members shall make a commitment to actively participate in the performance improvement program by developing indicators to be used for screening, evaluating and utilizing critical clinical judgement concerning identified problems or opportunities to improve care. Findings shall be reported to the Board through appropriate channels. Priority shall be given to those aspects of care which are high-volume, high-risk or problem-prone.
- B. Department Chairmen are responsible for assuring the implementation of a planned and systematic process for monitoring and evaluating the quality and appropriateness of the care and treatment of patients served by the departments and the clinical performance of all individuals with clinical privileges in those departments. When important problems in patient care and clinical performance or opportunities to improve care are identified, action shall be taken and the effectiveness of the action taken evaluated.
- C. The Chairmen of the respective Medical Staffs shall facilitate and coordinate medical staff involvement in the performance improvement program and shall serve as advisor

to the respective Community Board on performance improvement matters.

- D. The respective Community Boards may delegate oversight of the hospital-wide performance improvement program as it pertains to the Medical Staff to the Executive Committee of the Medical Staff.

SECTION 3. Functions - Administration

- A. The President/CEO is responsible for implementation of the performance improvement program as it concerns non-physician professionals and technical staffs and patient care units. This official shall actively support the performance improvement program by the provision of adequate resources.
- B. The President/CEO may delegate responsibility for assessing individual patient care related functions to the appropriate hospital department and service directors.
- C. The President/CEO shall delegate appropriate authority and responsibility to those responsible for hospital-wide performance improvement functions.
- D. The President/CEO, through the Administrative Staff, shall provide support for the establishment and maintenance of an operational linkage between the risk management functions related to the clinical aspects of patient care and safety and the performance improvement functions.
- E. The President/CEO shall assure himself that existing information from risk management activities that may be useful in identifying clinical problems and/or opportunities to improve the quality of patient care is accessible to the performance improvement functions.

ARTICLE XV
AUXILIARY ORGANIZATIONS

SECTION 1.

Approval of the Board of Directors is required prior to any auxiliary organization performing services for or within the Mountain States Health Alliance. Such proposals shall state the purpose, function, restrictive activities, organizational structure and any other condition as may be imposed by the Board and/or the President/CEO of the Corporation, or his/her designee. A major criteria in the approval of an auxiliary shall be the extent of its service and the potential effectiveness in serving the general welfare of patients and their families.

SECTION 2.

No individual shall be permitted to perform volunteer services for or within the Health System without being a member of a Board approved auxiliary.

SECTION 3.

Bylaws of an approved auxiliary shall be approved by the Board of Directors and reviewed annually. At least annually, the Auxiliary shall report to the Board regarding volunteer activities.

**ARTICLE XVI
AMENDING THE BYLAWS**

These Bylaws may be altered, amended, or changed, or new, or additional Bylaws adopted by the affirmative vote of two-thirds (2/3) of the members of the Board of Directors present at any regular meeting at which a quorum is present or at any special meeting called for that purpose at which a quorum is present. As required by statute, the Bylaws may also be amended by the Corporation Membership at a regular or special meeting upon approval of two-thirds (2/3) of the votes cast, a quorum being present, or by a majority of the membership. In this event the amended Bylaws would be binding upon the Board of Directors. A review of the Bylaws shall be conducted annually to insure they are current and meet all accreditation standards and other requirements. This review shall be recorded in the minutes of the Board of Directors meeting.

Date of last review and revision by Board of Directors:

February 8, 2002.


Thomas J. Burleson
Chairman


Dennis Vonderfecht
President and Chief
Executive Officer

Dated: February 8, 2002

Mshacompletebylaws
February 8, 2002.

BYLAWS

MOUNTAIN STATES HEALTH ALLIANCE

**DATE OF LAST REVIEW AND REAPPROVAL
BY BOARD OF DIRECTORS:**

December 6, 2002

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MOUNTAIN STATES HEALTH ALLIANCE**

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BYLAWS

MOUNTAIN STATES HEALTH ALLIANCE

JOHNSON CITY, TENNESSEE

This is a nonprofit Corporation duly and properly incorporated by charter dated the 29th day of March, 1945 and recorded in the Office of the Secretary of State of the State of Tennessee in Miscellaneous Book A 2 on the 12th day of April, 1945, and amended as to name on the 22nd day of March, 1983, as recorded in the Office of the Secretary of State of the State of Tennessee on April 6, 1983. Further amendment as to name was recorded in the Office of the Secretary of State of the State of Tennessee on January 7, 1999.

**ARTICLE I
PRINCIPAL OFFICE OF THE CORPORATION**

The Principal Office of the Corporation shall be at 400 State of Franklin Road, Johnson City, Tennessee.

**ARTICLE II
MEMBERSHIP OF THE CORPORATION**

SECTION 1.

Membership in the Corporation shall consist of persons, firms or corporations subscribing to the capital fund of the Mountain States Health Alliance, or those who contribute through gift or otherwise the sum of not less than one hundred dollars (\$100.00), and who maintain their membership through any annual or periodic fee the Corporation may approve. Provided, however, except for those presently holding membership in the Corporation, that no person, firm or corporation employed by or having any interest in any hospital or health care institution competing with Mountain States Health Alliance, shall be eligible for membership. Provided further that the Board of Directors shall have the right to refuse to grant membership in the Corporation for any other reason suitable to them, coupled with the right to refuse to accept any subscription or gift made or tendered upon condition that the subscribers or givers shall become members of the corporation.

SECTION 2.

Voting rights of the membership shall be limited to persons named on the certificate for individual membership and those named by letter of designation from the institutional/

business membership. Each individual or institution/ business will be entitled to one membership certificate and one vote, either in person or by proxy.

SECTION 3.

The membership shall meet at least annually to elect new Board Members and to receive reports on the operation and financial status of the Corporation. Under the provisions of the Charter of the Mountain States Health Alliance, the Board of Directors shall be charged with the responsibility of carrying out all of the functions of the Corporation permitted by the Charter.

ARTICLE III
MEETINGS OF THE MEMBERSHIP

SECTION 1.

The annual meeting of the membership shall be held on the third Tuesday of June, at an hour and place determined by the Chairman, Board of Directors. Special meetings of the membership may be called by the Board of Directors, or by the Chairman, upon reasonable notice, but not less than fifteen days (15) prior to the meeting. A special meeting may also be requested if ten percent (10%) of the membership so desires, by signed petition, to consider any matter that must be approved by the membership. Any such request shall specify the agenda to be discussed and the reasons therefore. Notices pertaining to the annual or special meetings shall be given by advertisement in a newspaper published in Johnson City or Washington County, Tennessee or by personal notice mailed to the members, one month preceding the annual meeting and at least fifteen days prior to special meetings.

SECTION 2.

At any meeting of this membership, annual or special, ten (10) percent of the membership or not less than seventy five (75) in person, whichever is smaller, shall constitute a quorum for the transaction of business.

**ARTICLE IV
BOARD OF DIRECTORS**

SECTION 1.

The management of all affairs of the Corporation shall be vested in a Board of Directors consisting of not less than nine (9) and not more than fourteen (14) persons, including the President/CEO, designated and elected as follows:

- A. To be eligible to serve on the Board of Directors of Mountain States Health Alliance individuals must:
1. Possess one or more of the competencies established from time to time by the Board.
 2. Be a Member of the Corporation or the designated representative of a institution/business membership; and
 3. Be elected by the Membership at an annual meeting of the Corporation, except as provided in SECTION 4 of this ARTICLE.
- B. In addition to the individuals referenced above, the President/Chief Executive Officer of the Corporation shall serve as an Ex-Officio member of the Board, with full privileges of a member of the Board, including the right to vote. The President/Chief Executive Officer shall retain this position on the Board for so long as he/she holds the position of President/Chief Executive Officer

Additionally, the Board composition shall consist of twentypercent (20%) to twenty-five percent (25%) physician membership.

SECTION 2.

Except for the Ex-Officio Member, Directors shall be elected for a term of three (3) years and shall hold office until their successors are elected. One third of the Directors, except the Ex-Officio Member, shall be elected each year for a three year term so that said terms are staggered. Any person who has served three consecutive terms (a partial term shall not be considered as a full term for the purpose of this SECTION) shall not be eligible to serve as a Director for a period of one year following the termination of his/her third successive term as a Director. A Director who serves as Chairman during the last year of his third consecutive term may remain as a Director for one additional year and then shall not be eligible to serve as a

Director for a period of one year following the termination of his/her third successive term plus one year as past Chairman. At those times when the past Chairman remains on the Board, as herein provided for, the Board shall consist of not more than fifteen (15) persons. Newly elected Board Members shall take office at the first meeting of the Board following the annual meeting of the membership. Any directors elected to a term after January 1, 2000, shall be eligible to serve as fully as permitted hereunder, regardless of whether they have previously served a term(s) as a Director.

SECTION 3.

Directors, other than the Ex-Officio director, shall be elected by the membership at its annual meeting by the procedures described below:

- A. Nominating Committee comprised of no less than three (3) and no more than six (6) individuals shall be recommended to the Board by the Chairman of the Board. In recommending such individuals, the Chairman should attempt to select persons who are familiar with: the strategic directions of Mountain States Health Alliance; the communities throughout the region Mountain States Health Alliance serves; the healthcare environment in general; as well as the competencies which are needed on the Board. Upon receipt of the recommendations from the Chairman, the Board shall approve or disapprove each of the individuals recommended by the Chairman. The President/CEO of Mountain States Health Alliance shall serve as an ex-officio, non-voting member of this Committee. Upon approval of the Nominating Committee by the Board the Chairman of the Board shall appoint one (1) of these members as Chairperson of this committee. The appointed Chairperson of this committee, along with all members of the Nominating Committee, shall be made known to the membership.

The Nominating Committee shall nominate a slate of candidates from the membership, with one (1) candidate for each vacancy to be filled. Prior to ballots being distributed, the Nominating Committee shall present the slate of nominations to the Board of Directors, for approval of each nominee by majority vote of the Directors. Ballots, provided by the Nominating Committee, shall then be sent to each voting membership not less than ten (10) days prior to the annual meeting of the membership. Ballots shall contain the names of the persons nominated and said ballots shall have blank lines under the names of those being nominated to enable the voting membership the opportunity to write in the names of other persons for whom they desire to vote for as Director. The nominees (including write-ins) receiving the greatest number of votes shall be elected to the respective vacancies to be filled.

- B. Enclosed along with the ballots prepared by the Nominating Committee, there shall be a return envelope addressed to the Director of Corporate Audit for Mountain States Health Alliance. The ballot shall be either mailed or returned in the enclosed envelope so that it reaches the date of the annual meeting of the membership or the envelope may be brought

by the voting member to said annual meeting and deposited by the voter in the ballot box. In order for the ballot to be considered eligible for tally, the name of the member voting shall appear on the back of the envelope containing the member's ballot. All ballots received prior to 5:00 p.m. on the day of the annual meeting shall be placed in the ballot box which will be locked and kept in the sole possession of the Director of Corporate Audit.

- C. After 5:00 p.m. on the date of the annual meeting, and before the start of the meeting, all ballots mailed to the Director of Corporate Audit, shall be tallied by him/her with such additional assistance as may be required. Results of the balloting will not be revealed until after ballots brought to the annual meeting have been tallied and added to the previous totals. A certification, signed by the Director of Corporate Audit shall be given to the Chairman, Board of Directors, during the annual meeting, and said certification shall attest to the accuracy of the ballot count and the number of votes each nominee received.

SECTION 4.

Vacancies occurring on the Board of Directors by resignation, death or otherwise shall be filled as follows: The Nominating Committee shall submit the name of one individual for each vacancy for consideration and vote by the Board of Directors. Any such vote shall be by majority vote of the remaining Directors at any regularly called or specially called meeting of said Directors. This process shall continue until the vacancy or vacancies have been filled. Any Director thus elected to fill any vacancy shall hold office for the unexpired term of his/her predecessor.

SECTION 5.

A quorum at all meetings of the Board of Directors shall consist of a majority of the whole Board. If there is less than a quorum at any meeting, the meeting may be adjourned and held on a subsequent date without the usual notice provided a quorum is present at such deferred meeting.

SECTION 6.

Committees of the Board of Directors shall be standing and, when so indicated, special committees may be appointed.

- A. Standing committees shall be an Executive Committee; a Nominating Committee and a Corporate Audit and Compliance Committee. Special committees may be appointed by the Chairman of the Board for specific assignments and for a specified duration.
- B. All Committees of the Board of Directors, except the Executive Committee, shall be

appointed by the Chairman within two (2) weeks after he/she is elected. However, these appointments shall be subject to confirmation or rejection by the Board of Directors at its first meeting following the Chairman's designation of Committee Membership.

- C. A quorum at any committee meeting shall consist of a majority of the entire membership of the committee.
- D. Standing committees shall have the power to act only as stated in these Bylaws or as conferred by the Board of Directors. Special committees shall perform only those duties as may be assigned by the Chairman or the Board of Directors. All committees shall have a chairman, who must be a member of the committee, and a secretary who need not be a member of the committee.

SECTION 7.

Directors shall not be paid a salary for their services. They may, however, be paid for actual expenses incurred when on authorized business of the Corporation.

SECTION 8.

Meetings of the Board of Directors shall be held not less than quarterly and on a day and specific time voted on by the Board of Directors. These meetings shall be held in the offices of the Corporation or at such other places as the Directors may, from time to time, designate. Special meetings of the Board may be called at any time by the Chairman or the Secretary or by one-third of the Directors, upon five (5) days personal or written notice being given to each Director.

SECTION 9.

It is expected that all Directors attend every meeting of the Board and every meeting of a Board committee of which he or she is a member. Absences may be excused for such reasons as illness, unavoidable absence from the city or unavoidable conflict for personal or business reasons. An excused absence will be recorded as such in the minutes of the meeting. It shall be the responsibility of each Board member to notify the Secretary of the Board in advance if he or she cannot attend a meeting and the reason(s) therefore. Secretaries of Board Committees shall likewise be notified in advance if a member cannot attend a meeting. Absences at Board and Committee Meetings shall be reviewed quarterly by the Chairman to determine whether absences, for whatever reason(s), warrants continuation on the Board. A Director who is absent from three consecutive Board meetings, or more than twenty five percent (25%) of the Board meetings in a calendar year, shall be removed from the Board, unless the Board determines, at its next meeting, in its discretion, that there are extenuating reasons for any such excessive absences. If it is determined that a Director shall be removed from the Board due to excessive

absences, the Director shall be so notified by the Secretary of the Board.

SECTION 10.

Paid employees of the Mountain States Health Alliance may not be elected to the Board of Directors, but, as set forth in Section 1B. above, the President/CEO may serve as a voting, Ex Officio member of the Board of Directors.

SECTION 11.

Mountain States Health Alliance shall indemnify any individual made a party to a civil or criminal proceeding because the individual is or was a Director or Officer of Mountain States Health Alliance, against any liabilities and expenses incurred in the proceeding as allowed by T.C.A. Section 48-58-502 and T.C.A. Section 48-58-507. This indemnification may include Mountain States Health Alliance, advancing reasonable expenses incurred by a Director or Officer who is a party to such a proceeding as allowed by T.C.A. Section 48-58-504.

SECTION 12.

All members of the Board of Directors, Board Committees, Officers of this Corporation, and Key Management Personnel of this Corporation shall comply with the organization's "Conflict of Interest Policy", including the annual completion and submission of the "Acknowledgment Form" and "Disclosure Statement" that are a part of this Policy. In addition, all members of the Board of Directors shall complete and submit annually the "Board Members Confidentiality Agreement".

As used in the Policy and these Bylaws, the term "Conflict of Interest" is defined as being applicable as follows:

"Conflicting Interest" shall mean service as a member, shareholder, trustee, owner, partner, director, officer, or employee of any organization or governmental entity that either:

- (i) competes with this Corporation or any Affiliate, or
- (ii) is involved or is likely to become involved in any litigation or adversarial proceeding with this Corporation or any Affiliate or
- (iii) is seeking or soliciting funds or other substantial benefits from this Corporation.

"Financial Interest" shall mean any arrangement or transaction pursuant to which an Interested Person has, directly or indirectly, through business, investment or family, either:

- (i) a present or potential ownership, investment interest or compensation arrangement in any entity with which this Corporation or any Affiliate has or may have a transaction or arrangement; or

- (ii) a compensation arrangement with this Corporation or any entity or individual with which this Corporation or any Affiliate has or may have a transaction or arrangement.

ARTICLE V OFFICERS OF THE BOARD

The officers of the Corporation shall be a Chairman, a Vice Chairman, a Secretary, and a Treasurer. The Board of Directors shall elect these officers at the organizational meeting of the Board following the annual meeting of the membership of the Corporation. Officers shall take office on the first day of the month following their election and shall hold office for one year from and after their election or until their successors shall be elected and assume their duties.

ARTICLE VI DUTIES OF THE CHAIRMAN OF THE BOARD

It shall be the duty of the Chairman to preside at all meetings of the Board of Directors; to sign all membership certificates; to execute all contracts that require the Chairman's signature in the name of the Corporation; and to perform all other duties usually associated with the office of Chairman of a Corporation. In addition, it is required that the Board of Directors evaluate its own performance. The leadership for this review of performance rests with the Chairman. A formalized mechanism shall be adopted to conduct a performance evaluation, including but not limited to attendance, participation, accomplishment of hospital goals, involvement in programs of continuing education in fields of health and management, and performance improvement mechanisms. Evaluations shall be documented, reviewed periodically with an objective of correcting weaknesses, and filed with official records of the Board. A Chairman may serve a maximum of two terms as Chairman, each term being one year in duration.

ARTICLE VII

DUTIES OF THE VICE CHAIRMAN

The duties of the Vice Chairman shall be to preside at the Board of Directors meeting in the absence of the Chairman and to perform such other duties and have such authority as may be fixed by the Board of Directors.

ARTICLE VIII

DUTIES OF THE SECRETARY

The Secretary shall attend all meetings of the Board of Directors and shall keep records of the meetings or cause the same to be done and have said records recorded as minutes of the Board, as well as attend to the giving and serving of all notices. The Secretary shall have charge of all records of the Corporation. In addition, the Secretary shall keep in safe custody the seal of the Corporation and when so affixed the Secretary shall attest the same by signature. The Secretary shall have the general duties, power, and responsibilities of the Secretary of a Corporation.

ARTICLE IX

DUTIES OF THE TREASURER

The Treasurer shall have responsibility for the safe keeping of funds and securities of the Corporation, shall keep or cause to be kept full and accurate accounts of receipts and disbursements and shall keep or cause to be kept all other accounting records of the Corporation. The Treasurer shall also receive and deposit, or cause the same to be done, all funds of the Corporation coming into his hands in such depository as may be so designated by the Board of Directors and withdraw the same only on checks of the Corporation signed by himself, or others as authorized by the Board of Directors.

ARTICLE X

PRESIDENT AND CHIEF EXECUTIVE OFFICER

SECTION 1.

The Board of Directors shall select and employ a competent and experienced President and CEO who shall report to and be its direct representative in the management of the health care system. This official shall be vested with the necessary authority and responsibility, in accordance with board policies, goals and expressed directions, to: Conduct all financial and business affairs of the Corporation; Maintain and improve quality in cooperation with the medical staffs of its facilities; Act as spokesperson for the Corporation; and Exercise other responsibilities necessary for effective operations.

SECTION 2.

The goals of the hospital are set forth in ARTICLE XX of these Bylaws. It shall be a major duty of the President to extend the goals to terms of measurable objectives or specific end results against which his performance can in part be evaluated by the Board of Directors on an annual basis or more often if indicated.

**ARTICLE XI
THE EXECUTIVE COMMITTEE**

SECTION 1.

The Executive Committee shall consist of the Chairman, Vice Chairman, Secretary, and Treasurer of the Board of Directors, and the immediate Past Chairman of the Board of Directors.

SECTION 2.

The Executive Committee shall have the power to transact all regular business of the Corporation during the interim between regular meetings of the Board of Directors, provided that any action taken shall not conflict with the policies and expressed wishes of the Board. All matters of major importance shall be referred to the entire Board of Directors unless the urgency of situation does not permit this delay.

SECTION 3.

The Executive Committee shall meet as necessary, but not less than annually, for the purposes set forth in Section 4.1. The Chairman of the Board shall determine the date and time of meetings.

SECTION 4.

The Executive Committee is also charged with the responsibility for evaluation of the President/CEO and approval of executive compensation.. This committee shall establish a mechanism to quantitatively measure the President's performance of the responsibilities and goals. Participation by and discussion with the President shall be observed in the evaluation process. The Executive Committee will seek input from the entire Board on the President/CEO's performance evaluation and will report its recommendations for compensation.

**ARTICLE XII
THE CORPORATE AUDIT AND COMPLIANCE COMMITTEE**

SECTION 1.

This Committee shall consist of five (5) to seven (7) members appointed by the Chairman of the Board. The Committee Chairman shall also be appointed by the Chairman of the Board of Directors. The President/CEO of the Corporation shall not serve as a member of this

Committee, in order to ensure its objectivity.

SECTION 2.

The Corporate Audit and Compliance Committee shall be responsible for:

- A. Recommending to the Board an external auditor for the Corporation and its entities and approval of the Annual Audit to the Board of Directors.
- B. Planning and reviewing the Annual Internal Audit Plan and the Annual Compliance Review Plan as recommended by the Directors of Corporate Audit and Compliance Services.
- C. Determining, through audit activities directed by the Directors of Corporate Audit and Compliance Services, the adequacy of checks and controls throughout the Health System to avoid improprieties.
- D. Overseeing the Corporate Compliance Program for greater assurance that the Corporation complies with all laws and regulations applicable to its business operation.
- E. Reviewing external audit reports, internal audit reports, and compliance review reports and insuring that appropriate actions are taken.
- F. Appraising the effectiveness of the entire audit and compliance function and recommending any necessary actions to be taken.

SECTION 3.

The Directors of Corporate Audit and Compliance Services shall report jointly to the President and Chief Executive Officer and the Corporate Audit and Compliance Committee of the Board. Reports of internal audits and compliance reviews will be provided to both parties.

SECTION 4.

This Committee shall meet at least quarterly, but more often if necessary, on a date and time determined by the Chairman.

ARTICLE XIII
THE MEDICAL STAFFS

SECTION 1.

The Medical Staffs of Mountain States Health Alliance shall be responsible to the Board of Directors for the professional care of patients in the Hospitals and for forming and maintaining self-government. The Medical Staffs shall formulate their own sets of Bylaws and submit them to the Board of Directors. They will become effective upon Board approval. The Medical Staff Bylaws shall be consistent with hospital policy and any applicable legal requirement. Only a member of a Medical Staff with admitting privileges may admit a patient to a Mountain States Health Alliance hospital and may practice only within the scope of the privileges granted by the Board of Directors. Each patient's general medical condition shall be the responsibility of a qualified physician member of the Medical Staff of the hospital in which that patient is a patient.

SECTION 2.

Duties and responsibilities of the Medical Staffs consist of but are not limited to the following:

- A. No applicant shall be denied Medical Staff membership and/or clinical privileges on the basis of sex, race, creed, color, or national origin, or any other criterion lacking professional justification.
- B. The Medical Staff Bylaws will be reviewed and updated annually and will be submitted to the Board of Directors. Changes will become effective upon approval of the Board of Directors.
- C. The Medical Staffs will submit to the Board of Directors written reports and recommendations for appointment and/or reappointment of all members who wish to serve on the Medical Staffs of the various Mountain States Health Alliance hospitals. The written reports shall contain privileges recommended and qualifying data to support the recommendations of each appointment and reappointment.
- D. Appointments to the Medical Staffs shall be no longer than two years. The first six months of an initial appointment will be a provisional period. The applicant will be reviewed at the end of this period for full acceptance, extended provisional status or denial of privileges. The Board of Directors shall rely on the Medical Staffs' recommendation for appointment or reappointment of each physician, dentist, or other health professional applicant based on information concerning: the individual's current licensure; health status, professional performance, judgment, clinical and/or technical skills as indicated in part by the results of performance improvement activities; previously successful or currently pending challenges

to any licensure or registration or the voluntary relinquishment of such licensure or registration; voluntary or involuntary limitation, reduction or loss of clinical privileges at another hospital; and involvement in professional liability actions resulting in adverse judgment or settlement.

- E. In no case shall the Board of Directors take action on an appointment, refuse to renew an appointment or cancel an appointment previously made without consultations with the Credentials Committee and/or the Executive Committee of the Medical Staff of the appropriate Mountain States Health Alliance hospital.
- F. The Executive Committee of the Medical Staffs shall submit periodic reports on the quality and appropriateness of patient care and the clinical performance of individuals with clinical privileges. The Board of Directors will approve recommendations of the Medical Staff Executive Committee for specific programs and procedures for reviewing, evaluating, and maintaining the quality and appropriateness of patient care within the relevant hospital.
- G. When a practitioner receives notice of a recommendation of the Executive Committee or Credentials Committee that will adversely affect his/her appointment as a member of the Medical Staff or his/her exercise of clinical privileges, he/she shall be entitled to a due process hearing as may be allowed by the appropriate Medical Staff Bylaws. It is understood that when the applicant signs the application for appointment to the respective Medical Staffs, he/she agrees to:
 - (1) Abide by the Bylaws of the Board of Directors.
 - (2) Abide by the Bylaws, Rules and Regulations of the Medical Staff of the hospital at which he/she is applying for privileges.
 - (3) Give to the relevant hospital immunity from liability as covered under the Medical Staff Bylaws.
- H. The Board of Directors or its designee, the President/CEO, shall inform applicants of the disposition of their application for Medical Staff membership and/or clinical privileges within a reasonable period of time after their application has been submitted.
- I. A physician or dentist whose engagement by a Mountain States Health Alliance hospital requires membership on the Medical Staff and whose duties are medico-administrative in nature shall not have his/her medical staff privileges terminated without the same due process provisions as are provided for any other member of the Medical Staffs, unless otherwise stated by contract, or by the appropriate Medical Staff Bylaws.
- J. The Medical Staff Bylaws shall include a mechanism for review of any adverse decision when requested by the practitioner, unless otherwise set forth by the Medical Staff Bylaws.

- K. The Board of Directors shall adopt a Hearing and Appeal Procedures Plan which has been approved by the respective Medical Staffs and which is included in the Medical Staff Bylaws.
- L. When the Board of Directors does not concur with a particular Medical Staff's recommendation relative to clinical privileges, the practitioner shall be entitled to such due process rights as may be provided by the appropriate Medical Staff Bylaws.
- M. No physician or dentist shall be eligible for appointment or reappointment or continuation as a member of any Medical Staff without satisfactory evidence of current professional liability insurance coverage in an amount of not less than \$1,000,000.00 through an insurance company licensed or approved by the State of Tennessee. At all times the relevant hospital shall have on file a certificate of insurance that is currently in force and it shall be the physician's responsibility to keep the relevant hospital informed of any changes in such certificate."
- N. Each Medical Staff Executive Committee shall make recommendations on the following areas to the Board of Directors, through their respective Community Boards, for its approval:
 - (1) The structure of the respective Medical Staff;
 - (2) The mechanism used to review credentials and to delineate individual clinical privileges;
 - (3) Individual Medical Staff membership;
 - (4) Specific clinical privileges for each eligible individual;
 - (5) The organization of the performance improvement activities of the respective Medical Staff as well as the mechanism used to conduct, evaluate and revise such activities;
 - (6) The mechanism by which membership on the respective Medical Staff may be terminated; and
 - (7) The mechanism for fair-hearing procedures.

ARTICLE XIV
PERFORMANCE IMPROVEMENT PROGRAM

SECTION 1. Authority and Responsibility - Board of Directors

- A. The Board of Directors has ultimate responsibility for quality patient care and authority for maintaining a Performance Improvement and Risk Management program., The Board may delegate this responsibility to the President/CEO and the Community Boards, together with the authority for action under limitations described in this Article.

- B. The Board of Directors requires the medical staffs and staffs of the various departments/services of the hospitals to implement and report on the activities and mechanisms for monitoring and evaluating the quality of patient care, for identifying and resolving problems, and for identifying opportunities to improve patient care.
- C. The Board of Directors, through the President/CEO, shall fully support performance improvement activities and mechanisms. The Board through the President/CEO shall also provide for adequate resources and support systems for the performance improvement functions related to patient care and safety.
- D. The Board of Directors shall assess the effectiveness of the performance improvement program on an annual basis and shall re-endorse or revise the program as necessary. A record of this assessment shall be maintained and communicated to the President/CEO, and the Community Boards.
- E. The Board of Directors shall support and be committed to the Corporate Compliance Program implemented by this Corporation, and shall utilize their best efforts to ensure compliance within the Corporation and shall acknowledge their responsibility, as the body, for ensuring development and maintenance of the Corporate Compliance Program, through the President/CEO, Corporate Compliance Officer and the Corporation's administrative staff.

SECTION 2. Functions - The Medical Staff

- A. The Medical Staffs of the various hospitals, through their officers, departments, committees and individual members shall make a commitment to actively participate in the performance improvement program by developing indicators to be used for screening, evaluating and utilizing critical clinical judgement concerning identified problems or opportunities to improve care. Findings shall be reported to the Board through appropriate channels. Priority shall be given to those aspects of care which are high-volume, high-risk or problem-prone.
- B. Department Chairmen are responsible for assuring the implementation of a planned and systematic process for monitoring and evaluating the quality and appropriateness of the care and treatment of patients served by the departments and the clinical performance of all individuals with clinical privileges in those departments. When important problems in patient care and clinical performance or opportunities to improve care are identified, action shall be taken and the effectiveness of the action taken evaluated.
- C. The Chairmen of the respective Medical Staffs shall facilitate and coordinate medical staff involvement in the performance improvement program and shall serve as advisor

to the respective Community Board on performance improvement matters.

- D. The respective Community Boards may delegate oversight of the hospital-wide performance improvement program as it pertains to the Medical Staff to the Executive Committee of the Medical Staff.

SECTION 3. Functions - Administration

- A. The President/CEO is responsible for implementation of the performance improvement program as it concerns non-physician professionals and technical staffs and patient care units. This official shall actively support the performance improvement program by the provision of adequate resources.
- B. The President/CEO may delegate responsibility for assessing individual patient care related functions to the appropriate hospital department and service directors.
- C. The President/CEO shall delegate appropriate authority and responsibility to those responsible for hospital-wide performance improvement functions.
- D. The President/CEO, through the Administrative Staff, shall provide support for the establishment and maintenance of an operational linkage between the risk management functions related to the clinical aspects of patient care and safety and the performance improvement functions.
- E. The President/CEO shall assure himself that existing information from risk management activities that may be useful in identifying clinical problems and/or opportunities to improve the quality of patient care is accessible to the performance improvement functions.

ARTICLE XV AUXILIARY ORGANIZATIONS

SECTION 1.

Approval of the Board of Directors is required prior to any auxiliary organization performing services for or within the Mountain States Health Alliance. Such proposals shall state the purpose, function, restrictive activities, organizational structure and any other condition as may be imposed by the Board and/or the President/CEO of the Corporation, or his/her designee. A major criteria in the approval of an auxiliary shall be the extent of its service and the potential effectiveness in serving the general welfare of patients and their families.

SECTION 2.

No individual shall be permitted to perform volunteer services for or within the Health System without being a member of a Board approved auxiliary.

SECTION 3.

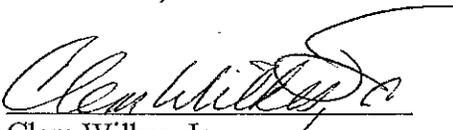
Bylaws of an approved auxiliary shall be approved by the Board of Directors and reviewed annually. At least annually, the Auxiliary shall report to the Board regarding volunteer activities.

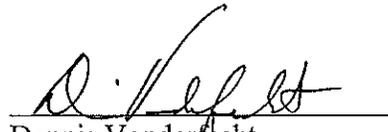
**ARTICLE XVI
AMENDING THE BYLAWS**

These Bylaws may be altered, amended, or changed, or new, or additional Bylaws adopted by the affirmative vote of two-thirds (2/3) of the members of the Board of Directors present at any regular meeting at which a quorum is present or at any special meeting called for that purpose at which a quorum is present. As required by statute, the Bylaws may also be amended by the Corporation Membership at a regular or special meeting upon approval of two-thirds (2/3) of the votes cast, a quorum being present, or by a majority of the membership. In this event the amended Bylaws would be binding upon the Board of Directors. A review of the Bylaws shall be conducted annually to insure they are current and meet all accreditation standards and other requirements. This review shall be recorded in the minutes of the Board of Directors meeting.

Date of last review and reapproval by Board of Directors:

December 6, 2002.


Clem Wilkes, Jr.
Chairman


Dennis Vonderfecht
President and Chief
Executive Officer

BYLAWS

MOUNTAIN STATES HEALTH ALLIANCE

**DATE OF LAST REVIEW AND APPROVAL
BY BOARD OF DIRECTORS:**

March 5, 2004

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 BYLAWS OF
 MOUNTAIN STATES HEALTH ALLIANCE

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BYLAWS

MOUNTAIN STATES HEALTH ALLIANCE

JOHNSON CITY, TENNESSEE

This is a nonprofit Corporation duly and properly incorporated by charter dated the 29th day of March, 1945 and recorded in the Office of the Secretary of State of the State of Tennessee in Miscellaneous Book A 2 on the 12th day of April, 1945, and amended as to name on the 22nd day of March, 1983, as recorded in the Office of the Secretary of State of the State of Tennessee on April 6, 1983. Further amendment as to name was recorded in the Office of the Secretary of State of the State of Tennessee on January 7, 1999.

**ARTICLE I
PRINCIPAL OFFICE OF THE CORPORATION**

The Principal Office of the Corporation shall be at 400 State of Franklin Road, Johnson City, Tennessee.

**ARTICLE II
MEMBERSHIP OF THE CORPORATION**

SECTION 1.

Membership in the Corporation shall consist of persons, firms or corporations subscribing to the capital fund of the Mountain States Health Alliance, or those who contribute through gift or otherwise the sum of not less than one hundred dollars (\$100.00), and who maintain their membership through any annual or periodic fee the Corporation may approve. Provided, however, except for those presently holding membership in the Corporation, that no person, firm or corporation employed by or having any interest in any hospital or health care institution competing with Mountain States Health Alliance, shall be eligible for membership. Provided further that the Board of Directors shall have the right to refuse to grant membership in the Corporation for any other reason suitable to them, coupled with the right to refuse to accept any subscription or gift made or tendered upon condition that the subscribers or givers shall become members of the corporation.

SECTION 2.

Voting rights of the membership shall be limited to persons named on the certificate for individual membership and those named by letter of designation from the institutional/

business membership. Each individual or institution/ business will be entitled to one membership certificate and one vote, either in person or by proxy.

SECTION 3.

The membership shall meet at least annually to elect new Board Members and to receive reports on the operation and financial status of the Corporation. Under the provisions of the Charter of the Mountain States Health Alliance, the Board of Directors shall be charged with the responsibility of carrying out all of the functions of the Corporation permitted by the Charter.

ARTICLE III MEETINGS OF THE MEMBERSHIP

SECTION 1.

The annual meeting of the membership shall be held on the third Tuesday of June, at an hour and place determined by the Chairman, Board of Directors. Special meetings of the membership may be called by the Board of Directors, or by the Chairman, upon reasonable notice, but not less than fifteen days (15) prior to the meeting. A special meeting may also be requested if ten percent (10%) of the membership so desires, by signed petition, to consider any matter that must be approved by the membership. Any such request shall specify the agenda to be discussed and the reasons therefore. Notices pertaining to the annual or special meetings shall be given by advertisement in a newspaper published in Johnson City or Washington County, Tennessee or by personal notice mailed to the members, one month preceding the annual meeting and at least fifteen days prior to special meetings.

SECTION 2.

At any meeting of this membership, annual or special, ten (10) percent of the membership or not less than seventy five (75) in person, whichever is smaller, shall constitute a quorum for the transaction of business.

**ARTICLE IV
BOARD OF DIRECTORS**

SECTION 1.

The management of all affairs of the Corporation shall be vested in a Board of Directors consisting of not less than nine (9) and not more than fourteen (14) persons, including the President/CEO, designated and elected as follows:

- A. To be eligible to serve on the Board of Directors of Mountain States Health Alliance individuals must:
1. Possess one or more of the competencies established from time to time by the Board.
 2. Be a Member of the Corporation or the designated representative of a institution/business membership; and
 3. Be elected by the Membership at an annual meeting of the Corporation, except as provided in SECTION 4 of this ARTICLE.
- B. In addition to the individuals referenced above, the President/Chief Executive Officer of the Corporation shall serve as an Ex-Officio member of the Board, with full privileges of a member of the Board, including the right to vote. The President/Chief Executive Officer shall retain this position on the Board for so long as he/she holds the position of President/Chief Executive Officer

Additionally, the Board composition shall consist of twenty percent (20%) to twenty-five percent (25%) physician membership.

SECTION 2.

Except for the Ex-Officio Member, Directors shall be elected for a term of three (3) years and shall hold office until their successors are elected. One third of the Directors, except the Ex-Officio Member, shall be elected each year for a three year term so that said terms are staggered. Any person who has served three consecutive terms (a partial term shall not be considered as a full term for the purpose of this SECTION) shall not be eligible to serve as a Director for a period of one year following the termination of his/her third successive term as a Director. A Director who serves as Chairman during the last year of his third consecutive term may remain as a Director for one additional year and then shall not be eligible to serve as a

Director for a period of one year following the termination of his/her third successive term plus one year as past Chairman. At those times when the past Chairman remains on the Board, as herein provided for, the Board shall consist of not more than fifteen (15) persons. Newly elected Board Members shall take office at the first meeting of the Board following the annual meeting of the membership. Any directors elected to a term after January 1, 2000, shall be eligible to serve as fully as permitted hereunder, regardless of whether they have previously served a term(s) as a Director.

SECTION 3.

Directors, other than the Ex-Officio director, shall be elected by the membership at its annual meeting by the procedures described below:

- A. Nominating Committee comprised of no less than three (3) and no more than six (6) individuals shall be recommended to the Board by the Chairman of the Board. In recommending such individuals, the Chairman should attempt to select persons who are familiar with: the strategic directions of Mountain States Health Alliance; the communities throughout the region Mountain States Health Alliance serves; the healthcare environment in general; as well as the competencies which are needed on the Board. Upon receipt of the recommendations from the Chairman, the Board shall approve or disapprove each of the individuals recommended by the Chairman. The President/CEO of Mountain States Health Alliance shall serve as an ex-officio, non-voting member of this Committee. Upon approval of the Nominating Committee by the Board the Chairman of the Board shall appoint one (1) of these members as Chairperson of this committee. The appointed Chairperson of this committee, along with all members of the Nominating Committee, shall be made known to the membership.

The Nominating Committee shall nominate a slate of candidates from the membership, with one (1) candidate for each vacancy to be filled. Prior to ballots being distributed, the Nominating Committee shall present the slate of nominations to the Board of Directors, for approval of each nominee by majority vote of the Directors. Ballots, provided by the Nominating Committee, shall then be sent to each voting membership not less than ten (10) days prior to the annual meeting of the membership. Ballots shall contain the names of the persons nominated and said ballots shall have blank lines under the names of those being nominated to enable the voting membership the opportunity to write in the names of other persons for whom they desire to vote for as Director. The nominees (including write-ins) receiving the greatest number of votes shall be elected to the respective vacancies to be filled.

- B. Enclosed along with the ballots prepared by the Nominating Committee, there shall be a return envelope addressed to the Director of Corporate Audit for Mountain States Health Alliance. The ballot shall be either mailed or returned in the enclosed envelope so that it reaches the date of the annual meeting of the membership or the envelope may be brought

by the voting member to said annual meeting and deposited by the voter in the ballot box. In order for the ballot to be considered eligible for tally, the name of the member voting shall appear on the back of the envelope containing the member's ballot. All ballots received prior to 5:00 p.m. on the day of the annual meeting shall be placed in the ballot box which will be locked and kept in the sole possession of the Director of Corporate Audit.

- C. After 5:00 p.m. on the date of the annual meeting, and before the start of the meeting, all ballots mailed to the Director of Corporate Audit, shall be tallied by him/her with such additional assistance as may be required. Results of the balloting will not be revealed until after ballots brought to the annual meeting have been tallied and added to the previous totals. A certification, signed by the Director of Corporate Audit shall be given to the Chairman, Board of Directors, during the annual meeting, and said certification shall attest to the accuracy of the ballot count and the number of votes each nominee received.

SECTION 4.

Vacancies occurring on the Board of Directors by resignation, death or otherwise shall be filled as follows: The Nominating Committee shall submit the name of one individual for each vacancy for consideration and vote by the Board of Directors. Any such vote shall be by majority vote of the remaining Directors at any regularly called or specially called meeting of said Directors. This process shall continue until the vacancy or vacancies have been filled. Any Director thus elected to fill any vacancy shall hold office for the unexplored term of his/her predecessor.

SECTION 5.

A quorum at all meetings of the Board of Directors shall consist of a majority of the whole Board. If there is less than a quorum at any meeting, the meeting may be adjourned and held on a subsequent date without the usual notice provided a quorum is present at such deferred meeting.

SECTION 6.

Committees of the Board of Directors shall be standing and, when so indicated, special committees maybe appointed.

- A. Standing committees shall be an Executive Committee; a Nominating Committee and a Corporate Audit and Compliance Committee. Special committees may be appointed by the Chairman of the Board for specific assignments and for a specified duration.
- B. All Committees of the Board of Directors, except the Executive Committee, shall be

appointed by the Chairman within two (2) weeks after he/she is elected. However, these appointments shall be subject to confirmation or rejection by the Board of Directors at its first meeting following the Chairman's designation of Committee Membership.

- C. A quorum at any committee meeting shall consist of a majority of the entire membership of the committee.
- D. Standing committees shall have the power to act only as stated in these Bylaws or as conferred by the Board of Directors. Special committees shall perform only those duties as may be assigned by the Chairman or the Board of Directors. All committees shall have a chairman, who must be a member of the committee, and a secretary who need not be a member of the committee.

SECTION 7.

Directors shall not be paid a salary for their services. They may, however, be paid for actual expenses incurred when on authorized business of the Corporation.

SECTION 8.

Meetings of the Board of Directors shall be held not less than quarterly and on a day and specific time voted on by the Board of Directors. These meetings shall be held in the offices of the Corporation or at such other places as the Directors may, from time to time, designate. Special meetings of the Board may be called at any time by the Chairman or the Secretary or by one-third of the Directors, upon five (5) days personal or written notice being given to each Director.

SECTION 9.

It is expected that all Directors attend every meeting of the Board and every meeting of a Board committee of which he or she is a member. Absences may be excused for such reasons as illness, unavoidable absence from the city or unavoidable conflict for personal or business reasons. An excused absence will be recorded as such in the minutes of the meeting. It shall be the responsibility of each Board member to notify the Secretary of the Board in advance if he or she cannot attend a meeting and the reason(s) therefore. Secretaries of Board Committees shall likewise be notified in advance if a member cannot attend a meeting. Absences at Board and Committee Meetings shall be reviewed quarterly by the Chairman to determine whether absences, for whatever reason(s), warrants continuation on the Board. A Director who is absent from three consecutive Board meetings, or more than twenty five percent (25%) of the Board meetings in a calendar year, shall be removed from the Board, unless the Board determines, at its next meeting, in its discretion, that there are extenuating reasons for any such excessive absences. If it is determined that a Director shall be removed from the Board due to excessive

absences, the Director shall be so notified by the Secretary of the Board.

SECTION 10.

Paid employees of the Mountain States Health Alliance may not be elected to the Board of Directors, but, as set forth in Section 1B. above, the President/CEO may serve as a voting, Ex Officio member of the Board of Directors.

SECTION 11.

Mountain States Health Alliance shall indemnify any individual made a party to a civil or criminal proceeding because the individual is or was a Director or Officer of Mountain States Health Alliance, against any liabilities and expenses incurred in the proceeding as allowed by T.C.A. Section 48-58-502 and T.C.A. Section 48-58-507. This indemnification may include Mountain States Health Alliance, advancing reasonable expenses incurred by a Director or Officer who is a party to such a proceeding as allowed by T.C.A. Section 48-58-504.

SECTION 12.

All members of the Board of Directors, Board Committees, Officers of this Corporation, and Key Management Personnel of this Corporation shall comply with the organization's "Conflict of Interest Policy", including the annual completion and submission of the "Acknowledgment Form" and "Disclosure Statement" that are a part of this Policy. In addition, all members of the Board of Directors shall complete and submit annually the "Board Members Confidentiality Agreement".

As used in the Policy and these Bylaws, the term "Conflict of Interest" is defined as being applicable as follows:

"Conflicting Interest" shall mean service as a member, shareholder, trustee, owner, partner, director, officer, or employee of any organization or governmental entity that either:

- (i) competes with this Corporation or any Affiliate, or
- (ii) is involved or is likely to become involved in any litigation or adversarial proceeding with this Corporation or any Affiliate or
- (iii) is seeking or soliciting funds or other substantial benefits from this Corporation.

"Financial Interest" shall mean any arrangement or transaction pursuant to which an Interested Person has, directly or indirectly, through business, investment or family, either:

- (i) a present or potential ownership, investment interest or compensation arrangement in any entity with which this Corporation or any Affiliate has or may have a transaction or arrangement; or

- (ii) a compensation arrangement with this Corporation or any entity or individual with which this Corporation or any Affiliate has or may have a transaction or arrangement.

ARTICLE V OFFICERS OF THE BOARD

The officers of the Corporation shall be a Chairman, a Vice Chairman, a Secretary, and a Treasurer. The Board of Directors shall elect these officers at the organizational meeting of the Board following the annual meeting of the membership of the Corporation. Officers shall take office on the first day of the month following their election and shall hold office for one year from and after their election or until their successors shall be elected and assume their duties.

ARTICLE VI DUTIES OF THE CHAIRMAN OF THE BOARD

It shall be the duty of the Chairman to preside at all meetings of the Board of Directors; to sign all membership certificates; to execute all contracts that require the Chairman's signature in the name of the Corporation; and to perform all other duties usually associated with the office of Chairman of a Corporation. In addition, it is required that the Board of Directors evaluate its own performance. The leadership for this review of performance rests with the Chairman. A formalized mechanism shall be adopted to conduct a performance evaluation, including but not limited to attendance, participation, accomplishment of hospital goals, involvement in programs of continuing education in fields of health and management, and performance improvement mechanisms. Evaluations shall be documented, reviewed periodically with an objective of correcting weaknesses, and filed with official records of the Board. A Chairman may serve a maximum of two terms as Chairman, each term being one year in duration.

ARTICLE VII

DUTIES OF THE VICE CHAIRMAN

The duties of the Vice Chairman shall be to preside at the Board of Directors meeting in the absence of the Chairman and to perform such other duties and have such authority as may be fixed by the Board of Directors.

ARTICLE VIII

DUTIES OF THE SECRETARY

The Secretary shall attend all meetings of the Board of Directors and shall keep records of the meetings or cause the same to be done and have said records recorded as minutes of the Board, as well as attend to the giving and serving of all notices. The Secretary shall have charge of all records of the Corporation. In addition, the Secretary shall keep in safe custody the seal of the Corporation and when so affixed the Secretary shall attest the same by signature. The Secretary shall have the general duties, power, and responsibilities of the Secretary of a Corporation.

ARTICLE IX

DUTIES OF THE TREASURER

The Treasurer shall have responsibility for the safe keeping of funds and securities of the Corporation, shall keep or cause to be kept full and accurate accounts of receipts and disbursements and shall keep or cause to be kept all other accounting records of the Corporation. The Treasurer shall also receive and deposit, or cause the same to be done, all funds of the Corporation coming into his hands in such depository as may be so designated by the Board of Directors and withdraw the same only on checks of the Corporation signed by himself, or others as authorized by the Board of Directors.

ARTICLE X

PRESIDENT AND CHIEF EXECUTIVE OFFICER

SECTION 1.

The Board of Directors shall select and employ a competent and experienced President and CEO who shall report to and be its direct representative in the management of the health care system. This official shall be vested with the necessary authority and responsibility, in accordance with board policies, goals and expressed directions, to: Conduct all financial and business affairs of the Corporation; Maintain and improve quality in cooperation with the medical staffs of its facilities; Act as spokesperson for the Corporation; and Exercise other responsibilities necessary for effective operations.

SECTION 2.

The goals of the hospital are set forth in ARTICLE XX of these Bylaws. It shall be a major duty of the President to extend the goals to terms of measurable objectives or specific end results against which his performance can in part be evaluated by the Board of Directors on an annual basis or more often if indicated.

**ARTICLE XI
THE EXECUTIVE COMMITTEE**

SECTION 1.

The Executive Committee shall consist of the Chairman, Vice Chairman, Secretary, and Treasurer of the Board of Directors, and the immediate Past Chairman of the Board of Directors.

SECTION 2.

The Executive Committee shall have the power to transact all regular business of the Corporation during the interim between regular meetings of the Board of Directors, provided that any action taken shall not conflict with the policies and expressed wishes of the Board. All matters of major importance shall be referred to the entire Board of Directors unless the urgency of situation does not permit this delay.

SECTION 3.

The Executive Committee shall meet as necessary, but not less than annually, for the purposes set forth in Section 4.1. The Chairman of the Board shall determine the date and time of meetings.

SECTION 4.

The Executive Committee is also charged with the responsibility for evaluation of the President/CEO and approval of executive compensation.. This committee shall establish a mechanism to quantitatively measure the President's performance of the responsibilities and goals. Participation by and discussion with the President shall be observed in the evaluation process. The Executive Committee will seek input from the entire Board on the President/CEO's performance evaluation and will report its recommendations for compensation.

**ARTICLE XII
THE CORPORATE AUDIT AND COMPLIANCE COMMITTEE**

SECTION 1.

This Committee shall consist of five (5) to seven (7) members appointed by the Chairman of the Board and confirmed by the Board of Directors. The Committee Chairman shall also be appointed by the Chairman of the Board of Directors. At least one (1) person on the Committee

must have, through education or experience, an understanding of GAAP, financial statements and audit committee functions or experience with internal accounting controls and the preparation or auditing of financial statements. The President/CEO of the Corporation shall not serve as a member of this Committee, in order to ensure its objectivity.

SECTION 2.

The Corporate Audit and Compliance Committee shall be responsible for:

- A. Selecting an independent external audit firm for the Corporation and its entities.
- B. Overseeing the external audit firm's performance, ensuring they are compensated and approving the Annual External Audit Report to the Committee and Board of Directors.
- C. Reviewing and approving the Annual Compliance Plan policy and the Annual Audit and Compliance Work Plan as recommended by MSHA's Compliance Officer and Director of Audit and Compliance Services.
- D. Determining, through audit activities directed by MSHA's Compliance Officer, the adequacy of checks and controls throughout the Health System to avoid improprieties.
- E. Overseeing the Corporate Compliance Program for greater assurance that the Corporation complies with all laws and regulations applicable to its business operation.
- F. Reviewing external audit reports, internal audit reports, and compliance review reports and insuring that appropriate actions are taken.
- G. Appraising the effectiveness of the entire audit and compliance function and recommending any necessary actions to be taken.

SECTION 3.

The Committee has the authority to engage independent counsel and other advisors to assist the Committee in ensuring the integrity of the Corporation's financial reporting and external audit. The Assistant Vice President/Compliance Officer and the Director of Corporate Audit and Compliance Services shall report jointly to the Corporate Audit and Compliance Committee of the Board. Reports of internal audits and compliance reviews will be provided by both parties.

SECTION 4.

This Committee shall meet at least quarterly, but more often if necessary, on a date and time determined by the Chairman.

**ARTICLE XIII
THE MEDICAL STAFFS**

SECTION 1.

The Medical Staffs of Mountain States Health Alliance shall be responsible to the Board of Directors for the professional care of patients in the Hospitals and for forming and maintaining self-government. The Medical Staffs shall formulate their own sets of Bylaws and submit them to the Board of Directors. They will become effective upon Board approval. The Medical Staff Bylaws shall be consistent with hospital policy and any applicable legal requirement. Only a member of a Medical Staff with admitting privileges may admit a patient to a Mountain States Health Alliance hospital and may practice only within the scope of the privileges granted by the Board of Directors. Each patient's general medical condition shall be the responsibility of a qualified physician member of the Medical Staff of the hospital in which that patient is a patient.

SECTION 2.

Duties and responsibilities of the Medical Staffs consist of but are not limited to the following:

- A. No applicant shall be denied Medical Staff membership and/or clinical privileges on the basis of sex, race, creed, color, or national origin, or any other criterion lacking professional justification.
- B. The Medical Staff Bylaws will be reviewed and updated annually and will be submitted to the Board of Directors. Changes will become effective upon approval of the Board of Directors.
- C. The Medical Staffs will submit to the Board of Directors written reports and recommendations for appointment and/or reappointment of all members who wish to serve on the Medical Staffs of the various Mountain States Health Alliance hospitals. The written reports shall contain privileges recommended and qualifying data to support the recommendations of each appointment and reappointment.
- D. Appointments to the Medical Staffs shall be no longer than two years. The first six months of an initial appointment will be a provisional period. The applicant will be reviewed at the end of this period for full acceptance, extended provisional status or denial of privileges. The Board of Directors shall rely on the Medical Staffs' recommendation for appointment or reappointment of each physician, dentist, or other health professional applicant based on information concerning: the individual's current licensure; health status, professional performance, judgment, clinical and/or technical skills as indicated in part by the results of performance improvement activities; previously successful or currently pending challenges to any licensure or registration or the voluntary relinquishment of such licensure or

registration; voluntary or involuntary limitation, reduction or loss of clinical privileges at another hospital; and involvement in professional liability actions resulting in adverse judgment or settlement.

- E. In no case shall the Board of Directors take action on an appointment, refuse to renew an appointment or cancel an appointment previously made without consultations with the Credentials Committee and/or the Executive Committee of the Medical Staff of the appropriate Mountain States Health Alliance hospital.
- F. The Executive Committee of the Medical Staffs shall submit periodic reports on the quality and appropriateness of patient care and the clinical performance of individuals with clinical privileges. The Board of Directors will approve recommendations of the Medical Staff Executive Committee for specific programs and procedures for reviewing, evaluating, and maintaining the quality and appropriateness of patient care within the relevant hospital.
- G. When a practitioner receives notice of a recommendation of the Executive Committee or Credentials Committee that will adversely affect his/her appointment as a member of the Medical Staff or his/her exercise of clinical privileges, he/she shall be entitled to a due process hearing as may be allowed by the appropriate Medical Staff Bylaws. It is understood that when the applicant signs the application for appointment to the respective Medical Staffs, he/she agrees to:
 - (1) Abide by the Bylaws of the Board of Directors.
 - (2) Abide by the Bylaws, Rules and Regulations of the Medical Staff of the hospital at which he/she is applying for privileges.
 - (3) Give to the relevant hospital immunity from liability as covered under the Medical Staff Bylaws.
- H. The Board of Directors or its designee, the President/CEO, shall inform applicants of the disposition of their application for Medical Staff membership and/or clinical privileges within a reasonable period of time after their application has been submitted.
- I. A physician or dentist whose engagement by a Mountain States Health Alliance hospital requires membership on the Medical Staff and whose duties are medico-administrative in nature shall not have his/her medical staff privileges terminated without the same due process provisions as are provided for any other member of the Medical Staffs, unless otherwise stated by contract, or by the appropriate Medical Staff Bylaws.
- J. The Medical Staff Bylaws shall include a mechanism for review of any adverse decision when requested by the practitioner, unless otherwise set forth by the Medical Staff Bylaws.
- K. The Board of Directors shall adopt a Hearing and Appeal Procedures Plan which has been

approved by the respective Medical Staffs and which is included in the Medical Staff Bylaws.

- L. When the Board of Directors does not concur with a particular Medical Staff's recommendation relative to clinical privileges, the practitioner shall be entitled to such due process rights as may be provided by the appropriate Medical Staff Bylaws.
- M. No physician or dentist shall be eligible for appointment or reappointment or continuation as a member of any Medical Staff without satisfactory evidence of current professional liability insurance coverage in an amount of not less than \$1,000,000.00 through an insurance company licensed or approved by the State of Tennessee. At all times the relevant hospital shall have on file a certificate of insurance that is currently in force and it shall be the physician's responsibility to keep the relevant hospital informed of any changes in such certificate."
- N. Each Medical Staff Executive Committee shall make recommendations on the following areas to the Board of Directors, through their respective Community Boards, for its approval:
 - (1) The structure of the respective Medical Staff;
 - (2) The mechanism used to review credentials and to delineate individual clinical privileges;
 - (3) Individual Medical Staff membership;
 - (4) Specific clinical privileges for each eligible individual;
 - (5) The organization of the performance improvement activities of the respective Medical Staff as well as the mechanism used to conduct, evaluate and revise such activities;
 - (6) The mechanism by which membership on the respective Medical Staff may be terminated; and
 - (7) The mechanism for fair-hearing procedures.

ARTICLE XIV PERFORMANCE IMPROVEMENT PROGRAM

SECTION 1. Authority and Responsibility - Board of Directors

- A. The Board of Directors has ultimate responsibility for quality patient care and authority for maintaining a Performance Improvement and Risk Management program., The Board may delegate this responsibility to the President/CEO and the Community Boards, together with the authority for action under limitations described in this Article.

- B. The Board of Directors requires the medical staffs and staffs of the various departments/services of the hospitals to implement and report on the activities and mechanisms for monitoring and evaluating the quality of patient care, for identifying and resolving problems, and for identifying opportunities to improve patient care.
- C. The Board of Directors, through the President/CEO, shall fully support performance improvement activities and mechanisms. The Board through the President/CEO shall also provide for adequate resources and support systems for the performance improvement functions related to patient care and safety.
- D. The Board of Directors shall assess the effectiveness of the performance improvement program on an annual basis and shall re-endorse or revise the program as necessary. A record of this assessment shall be maintained and communicated to the President/CEO, and the Community Boards.
- E. The Board of Directors shall support and be committed to the Corporate Compliance Program implemented by this Corporation, and shall utilize their best efforts to ensure compliance within the Corporation and shall acknowledge their responsibility, as the body, for ensuring development and maintenance of the Corporate Compliance Program, through the President/CEO, Corporate Compliance Officer and the Corporation's administrative staff.

SECTION 2. Functions - The Medical Staff

- A. The Medical Staffs of the various hospitals, through their officers, departments, committees and individual members shall make a commitment to actively participate in the performance improvement program by developing indicators to be used for screening, evaluating and utilizing critical clinical judgement concerning identified problems or opportunities to improve care. Findings shall be reported to the Board through appropriate channels. Priority shall be given to those aspects of care which are high-volume, high-risk or problem-prone.
- B. Department Chairmen are responsible for assuring the implementation of a planned and systematic process for monitoring and evaluating the quality and appropriateness of the care and treatment of patients served by the departments and the clinical performance of all individuals with clinical privileges in those departments. When important problems in patient care and clinical performance or opportunities to improve care are identified, action shall be taken and the effectiveness of the action taken evaluated.
- C. The Chairmen of the respective Medical Staffs shall facilitate and coordinate medical staff involvement in the performance improvement program and shall serve as advisor to the respective Community Board on performance improvement matters.

- D. The respective Community Boards may delegate oversight of the hospital-wide performance improvement program as it pertains to the Medical Staff to the Executive Committee of the Medical Staff.

SECTION 3. Functions - Administration

- A. The President/CEO is responsible for implementation of the performance improvement program as it concerns non-physician professionals and technical staffs and patient care units. This official shall actively support the performance improvement program by the provision of adequate resources.
- B. The President/CEO may delegate responsibility for assessing individual patient care related functions to the appropriate hospital department and service directors.
- C. The President/CEO shall delegate appropriate authority and responsibility to those responsible for hospital-wide performance improvement functions.
- D. The President/CEO, through the Administrative Staff, shall provide support for the establishment and maintenance of an operational linkage between the risk management functions related to the clinical aspects of patient care and safety and the performance improvement functions.
- E. The President/CEO shall assure himself that existing information from risk management activities that may be useful in identifying clinical problems and/or opportunities to improve the quality of patient care is accessible to the performance improvement functions.

ARTICLE XV AUXILIARY ORGANIZATIONS

SECTION 1.

Approval of the Board of Directors is required prior to any auxiliary organization performing services for or within the Mountain States Health Alliance. Such proposals shall state the purpose, function, restrictive activities, organizational structure and any other condition as may be imposed by the Board and/or the President/CEO of the Corporation, or his/her designee. A major criteria in the approval of an auxiliary shall be the extent of its service and the potential effectiveness in serving the general welfare of patients and their families.

SECTION 2.

No individual shall be permitted to perform volunteer services for or within the Health System without being a member of a Board approved auxiliary.

SECTION 3.

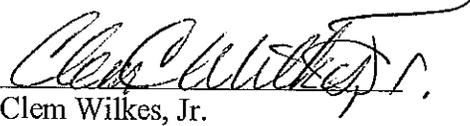
Bylaws of an approved auxiliary shall be approved by the Board of Directors and reviewed annually. At least annually, the Auxiliary shall report to the Board regarding volunteer activities.

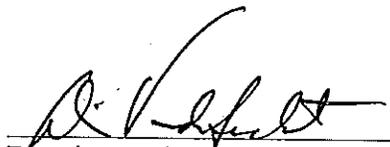
**ARTICLE XVI
AMENDING THE BYLAWS**

These Bylaws may be altered, amended, or changed, or new, or additional Bylaws adopted by the affirmative vote of two-thirds (2/3) of the members of the Board of Directors present at any regular meeting at which a quorum is present or at any special meeting called for that purpose at which a quorum is present. As required by statute, the Bylaws may also be amended by the Corporation Membership at a regular or special meeting upon approval of two-thirds (2/3) of the votes cast, a quorum being present, or by a majority of the membership. In this event the amended Bylaws would be binding upon the Board of Directors. A review of the Bylaws shall be conducted annually to insure they are current and meet all accreditation standards and other requirements. This review shall be recorded in the minutes of the Board of Directors meeting.

Date of last review and approval by Board of Directors:

March 5, 2004.


Clem Wilkes, Jr.
Chairman


Dennis Vonderficht
President and Chief
Executive Officer

BYLAWS

MOUNTAIN STATES HEALTH ALLIANCE

**DATE OF LAST REVIEW AND APPROVAL
BY BOARD OF DIRECTORS:**

December 2, 2005

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MOUNTAIN STATES HEALTH ALLIANCE**

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BYLAWS

MOUNTAIN STATES HEALTH ALLIANCE

JOHNSON CITY, TENNESSEE

This is a nonprofit Corporation duly and properly incorporated by charter dated the 29th day of March, 1945 and recorded in the Office of the Secretary of State of the State of Tennessee in Miscellaneous Book A 2 on the 12th day of April, 1945, and amended as to name on the 22nd day of March, 1983, as recorded in the Office of the Secretary of State of the State of Tennessee on April 6, 1983. Further amendment as to name was recorded in the Office of the Secretary of State of the State of Tennessee on January 7, 1999.

**ARTICLE I
PRINCIPAL OFFICE OF THE CORPORATION**

The Principal Office of the Corporation shall be at 400 State of Franklin Road, Johnson City, Tennessee.

**ARTICLE II
MEMBERSHIP OF THE CORPORATION**

SECTION 1.

Membership in the Corporation shall consist of persons, firms or corporations subscribing to the capital fund of the Mountain States Health Alliance, or those who contribute through gift or otherwise the sum of not less than one hundred dollars (\$100.00), and who maintain their membership through any annual or periodic fee the Corporation may approve. Provided, however, except for those presently holding membership in the Corporation, that no person, firm or corporation employed by or having any interest in any hospital or health care institution competing with Mountain States Health Alliance, shall be eligible for membership. Provided further that the Board of Directors shall have the right to refuse to grant membership in the Corporation for any other reason suitable to them, coupled with the right to refuse to accept any subscription or gift made or tendered upon condition that the subscribers or givers shall become members of the corporation.

SECTION 2.

Voting rights of the membership shall be limited to persons named on the certificate for individual membership and those named by letter of designation from the institutional/

business membership. Each individual or institution/ business will be entitled to one membership certificate and one vote, either in person or by proxy.

SECTION 3.

The membership shall meet at least annually to elect new Board Members and to receive reports on the operation and financial status of the Corporation. Under the provisions of the Charter of the Mountain States Health Alliance, the Board of Directors shall be charged with the responsibility of carrying out all of the functions of the Corporation permitted by the Charter.

ARTICLE III
MEETINGS OF THE MEMBERSHIP

SECTION 1.

The annual meeting of the membership shall be held on the third Tuesday of June, at an hour and place determined by the Chairman, Board of Directors. Special meetings of the membership may be called by the Board of Directors, or by the Chairman, upon reasonable notice, but not less than fifteen days (15) prior to the meeting. A special meeting may also be requested if ten percent (10%) of the membership so desires, by signed petition, to consider any matter that must be approved by the membership. Any such request shall specify the agenda to be discussed and the reasons therefore. Notices pertaining to the annual or special meetings shall be given by advertisement in a newspaper published in Johnson City or Washington County, Tennessee or by personal notice mailed to the members, one month preceding the annual meeting and at least fifteen days prior to special meetings.

SECTION 2.

At any meeting of this membership, annual or special, ten (10) percent of the membership or not less than seventy five (75) in person, whichever is smaller, shall constitute a quorum for the transaction of business.

**ARTICLE IV
BOARD OF DIRECTORS**

SECTION 1.

The management of all affairs of the Corporation shall be vested in a Board of Directors consisting of not less than nine (9) and not more than fourteen (14) persons, including the President/CEO, designated and elected as follows:

- A. To be eligible to serve on the Board of Directors of Mountain States Health Alliance individuals must:
1. Possess one or more of the competencies established from time to time by the Board.
 2. Be a Member of the Corporation or the designated representative of a institution/business membership; and
 3. Be elected by the Membership at an annual meeting of the Corporation, except as provided in SECTION 4 of this ARTICLE.
- B. In addition to the individuals referenced above, the President/Chief Executive Officer of the Corporation shall serve as an Ex-Officio member of the Board, with full privileges of a member of the Board, including the right to vote. The President/Chief Executive Officer shall retain this position on the Board for so long as he/she holds the position of President/Chief Executive Officer

Additionally, the Board composition shall consist of twenty percent (20%) to twenty-five percent (25%) physician membership.

SECTION 2.

Except for the Ex-Officio Member, Directors shall be elected for a term of three (3) years and shall hold office until their successors are elected. One third of the Directors, except the Ex-Officio Member, shall be elected each year for a three year term so that said terms are staggered. Any person who has served three consecutive terms (a partial term shall not be considered as a full term for the purpose of this SECTION) shall not be eligible to serve as a Director for a period of one year following the termination of his/her third successive term as a Director. A Director who serves as Chairman during the last year of his third consecutive term may remain as a Director for one additional year and then shall not be eligible to serve as a

Director for a period of one year following the termination of his/her third successive term plus one year as past Chairman. At those times when the past Chairman remains on the Board, as herein provided for, the Board shall consist of not more than fifteen (15) persons. Newly elected Board Members shall take office at the first meeting of the Board following the annual meeting of the membership. Any directors elected to a term after January 1, 2000, shall be eligible to serve as fully as permitted hereunder, regardless of whether they have previously served a term(s) as a Director.

SECTION 3.

Directors, other than the Ex-Officio director, shall be elected by the membership at its annual meeting by the procedures described below:

- A. Nominating Committee comprised of no less than three (3) and no more than six (6) individuals shall be recommended to the Board by the Chairman of the Board. In recommending such individuals, the Chairman should attempt to select persons who are familiar with: the strategic directions of Mountain States Health Alliance; the communities throughout the region Mountain States Health Alliance serves; the healthcare environment in general; as well as the competencies which are needed on the Board. Upon receipt of the recommendations from the Chairman, the Board shall approve or disapprove each of the individuals recommended by the Chairman. The President/CEO of Mountain States Health Alliance shall serve as an ex-officio, non-voting member of this Committee. Upon approval of the Nominating Committee by the Board the Chairman of the Board shall appoint one (1) of these members as Chairperson of this committee. The appointed Chairperson of this committee, along with all members of the Nominating Committee, shall be made known to the membership.

The Nominating Committee shall nominate a slate of candidates from the membership, with one (1) candidate for each vacancy to be filled. Prior to ballots being distributed, the Nominating Committee shall present the slate of nominations to the Board of Directors, for approval of each nominee by majority vote of the Directors. Ballots, provided by the Nominating Committee, shall then be sent to each voting membership not less than ten (10) days prior to the annual meeting of the membership. Ballots shall contain the names of the persons nominated and said ballots shall have blank lines under the names of those being nominated to enable the voting membership the opportunity to write in the names of other persons for whom they desire to vote for as Director. The nominees (including write-ins) receiving the greatest number of votes shall be elected to the respective vacancies to be filled.

- B. Enclosed along with the ballots prepared by the Nominating Committee, there shall be a return envelope addressed to the Director of Corporate Audit for Mountain States Health Alliance. The ballot shall be either mailed or returned in the enclosed envelope so that it reaches the date of the annual meeting of the membership or the envelope may be brought

by the voting member to said annual meeting and deposited by the voter in the ballot box. In order for the ballot to be considered eligible for tally, the name of the member voting shall appear on the back of the envelope containing the member's ballot. All ballots received prior to 5:00 p.m. on the day of the annual meeting shall be placed in the ballot box which will be locked and kept in the sole possession of the Director of Corporate Audit.

- C. After 5:00 p.m. on the date of the annual meeting, and before the start of the meeting, all ballots mailed to the Director of Corporate Audit, shall be tallied by him/her with such additional assistance as may be required. Results of the balloting will not be revealed until after ballots brought to the annual meeting have been tallied and added to the previous totals. A certification, signed by the Director of Corporate Audit shall be given to the Chairman, Board of Directors, during the annual meeting, and said certification shall attest to the accuracy of the ballot count and the number of votes each nominee received.

SECTION 4.

Vacancies occurring on the Board of Directors by resignation, death or otherwise shall be filled as follows: The Nominating Committee shall submit the name of one individual for each vacancy for consideration and vote by the Board of Directors. Any such vote shall be by majority vote of the remaining Directors at any regularly called or specially called meeting of said Directors. This process shall continue until the vacancy or vacancies have been filled. Any Director thus elected to fill any vacancy shall hold office for the unexpired term of his/her predecessor.

SECTION 5.

A quorum at all meetings of the Board of Directors shall consist of a majority of the whole Board. If there is less than a quorum at any meeting, the meeting may be adjourned and held on a subsequent date without the usual notice provided a quorum is present at such deferred meeting.

SECTION 6.

Committees of the Board of Directors shall be standing and, when so indicated, special committees maybe appointed.

- A. Standing committees shall be an Executive Committee; a Nominating Committee and a Corporate Audit and Compliance Committee. Special committees may be appointed by the Chairman of the Board for specific assignments and for a specified duration.
- B. All Committees of the Board of Directors, except the Executive Committee, shall be

appointed by the Chairman within two (2) weeks after he/she is elected. However, these appointments shall be subject to confirmation or rejection by the Board of Directors at its first meeting following the Chairman's designation of Committee Membership.

- C. A quorum at any committee meeting shall consist of a majority of the entire membership of the committee.
- D. Standing committees shall have the power to act only as stated in these Bylaws or as conferred by the Board of Directors. Special committees shall perform only those duties as may be assigned by the Chairman or the Board of Directors. All committees shall have a chairman, who must be a member of the committee, and a secretary who need not be a member of the committee.

SECTION 7.

Directors shall not be paid a salary for their services. They may, however, be paid for actual expenses incurred when on authorized business of the Corporation.

SECTION 8.

Meetings of the Board of Directors shall be held not less than quarterly and on a day and specific time voted on by the Board of Directors. These meetings shall be held in the offices of the Corporation or at such other places as the Directors may, from time to time, designate. Special meetings of the Board may be called at any time by the Chairman or the Secretary or by one-third of the Directors, upon five (5) days personal or written notice being given to each Director.

SECTION 9.

It is expected that all Directors attend every meeting of the Board and every meeting of a Board committee of which he or she is a member. Absences may be excused for such reasons as illness, unavoidable absence from the city or unavoidable conflict for personal or business reasons. An excused absence will be recorded as such in the minutes of the meeting. It shall be the responsibility of each Board member to notify the Secretary of the Board in advance if he or she cannot attend a meeting and the reason(s) therefore. Secretaries of Board Committees shall likewise be notified in advance if a member cannot attend a meeting. Absences at Board and Committee Meetings shall be reviewed quarterly by the Chairman to determine whether absences, for whatever reason(s), warrants continuation on the Board. A Director who is absent from three consecutive Board meetings, or more than twenty five percent (25%) of the Board meetings in a calendar year, shall be removed from the Board, unless the Board determines, at its next meeting, in its discretion, that there are extenuating reasons for any such excessive absences. If it is determined that a Director shall be removed from the Board due to excessive

absences, the Director shall be so notified by the Secretary of the Board.

SECTION 10.

Paid employees of the Mountain States Health Alliance may not be elected to the Board of Directors, but, as set forth in Section 1B. above, the President/CEO may serve as a voting, Ex Officio member of the Board of Directors.

SECTION 11.

Mountain States Health Alliance shall indemnify any individual made a party to a civil or criminal proceeding because the individual is or was a Director or Officer of Mountain States Health Alliance, against any liabilities and expenses incurred in the proceeding as allowed by T.C.A. Section 48-58-502 and T.C.A. Section 48-58-507. This indemnification may include Mountain States Health Alliance, advancing reasonable expenses incurred by a Director or Officer who is a party to such a proceeding as allowed by T.C.A. Section 48-58-504.

SECTION 12.

All members of the Board of Directors, Board Committees, Officers of this Corporation, and Key Management Personnel of this Corporation shall comply with the organization's "Conflict of Interest Policy", including the annual completion and submission of the "Acknowledgment Form" and "Disclosure Statement" that are a part of this Policy. In addition, all members of the Board of Directors shall complete and submit annually the "Board Members Confidentiality Agreement".

As used in the Policy and these Bylaws, the term "Conflict of Interest" is defined as being applicable as follows:

"Conflicting Interest" shall mean service as a member, shareholder, trustee, owner, partner, director, officer, or employee of any organization or governmental entity that either:

- (i) competes with this Corporation or any Affiliate, or
- (ii) is involved or is likely to become involved in any litigation or adversarial proceeding with this Corporation or any Affiliate or
- (iii) is seeking or soliciting funds or other substantial benefits from this Corporation.

"Financial Interest" shall mean any arrangement or transaction pursuant to which an Interested Person has, directly or indirectly, through business, investment or family, either:

- (i) a present or potential ownership, investment interest or compensation arrangement in any entity with which this Corporation or any Affiliate has or may have a transaction or arrangement; or

- (ii) a compensation arrangement with this Corporation or any entity or individual with which this Corporation or any Affiliate has or may have a transaction or arrangement.

ARTICLE V
OFFICERS OF THE BOARD

The officers of the Corporation shall be a Chairman, a Vice Chairman, a Secretary, and a Treasurer. The Board of Directors shall elect these officers at the organizational meeting of the Board following the annual meeting of the membership of the Corporation. Officers shall take office on the first day of the month following their election and shall hold office for one year from and after their election or until their successors shall be elected and assume their duties.

ARTICLE VI
DUTIES OF THE CHAIRMAN OF THE BOARD

It shall be the duty of the Chairman to preside at all meetings of the Board of Directors; to sign all membership certificates; to execute all contracts that require the Chairman's signature in the name of the Corporation; and to perform all other duties usually associated with the office of Chairman of a Corporation. In addition, it is required that the Board of Directors evaluate its own performance. The leadership for this review of performance rests with the Chairman. A formalized mechanism shall be adopted to conduct a performance evaluation, including but not limited to attendance, participation, accomplishment of hospital goals, involvement in programs of continuing education in fields of health and management, and performance improvement mechanisms. Evaluations shall be documented, reviewed periodically with an objective of correcting weaknesses, and filed with official records of the Board. A Chairman may serve a maximum of two terms as Chairman, each term being one year in duration.

ARTICLE VII
DUTIES OF THE VICE CHAIRMAN

The duties of the Vice Chairman shall be to preside at the Board of Directors meeting in the absence of the Chairman and to perform such other duties and have such authority as may be fixed by the Board of Directors.

ARTICLE VIII
DUTIES OF THE SECRETARY

The Secretary shall attend all meetings of the Board of Directors and shall keep records of the meetings or cause the same to be done and have said records recorded as minutes of the Board, as well as attend to the giving and serving of all notices. The Secretary shall have charge of all records of the Corporation. In addition, the Secretary shall keep in safe custody the seal of the Corporation and when so affixed the Secretary shall attest the same by signature. The Secretary shall have the general duties, power, and responsibilities of the Secretary of a Corporation.

ARTICLE IX
DUTIES OF THE TREASURER

The Treasurer shall have responsibility for the safe keeping of funds and securities of the Corporation, shall keep or cause to be kept full and accurate accounts of receipts and disbursements and shall keep or cause to be kept all other accounting records of the Corporation. The Treasurer shall also receive and deposit, or cause the same to be done, all funds of the Corporation coming into his hands in such depository as may be so designated by the Board of Directors and withdraw the same only on checks of the Corporation signed by himself, or others as authorized by the Board of Directors.

ARTICLE X
PRESIDENT AND CHIEF EXECUTIVE OFFICER

SECTION 1.

The Board of Directors shall select and employ a competent and experienced President and CEO who shall report to and be its direct representative in the management of the health care system. This official shall be vested with the necessary authority and responsibility, in accordance with board policies, goals and expressed directions, to: Conduct all financial and business affairs of the Corporation; Maintain and improve quality in cooperation with the medical staffs of its facilities; Act as spokesperson for the Corporation; and Exercise other responsibilities necessary for effective operations.

SECTION 2.

The goals of the hospital are set forth in ARTICLE XX of these Bylaws. It shall be a major duty of the President to extend the goals to terms of measurable objectives or specific end results against which his performance can in part be evaluated by the Board of Directors on an annual basis or more often if indicated.

**ARTICLE XI
THE EXECUTIVE COMMITTEE**

SECTION 1.

The Executive Committee shall consist of the Chairman, Vice Chairman, Secretary, and Treasurer of the Board of Directors, and the immediate Past Chairman of the Board of Directors.

SECTION 2.

The Executive Committee shall have the power to transact all regular business of the Corporation during the interim between regular meetings of the Board of Directors, provided that any action taken shall not conflict with the policies and expressed wishes of the Board. All matters of major importance shall be referred to the entire Board of Directors unless the urgency of situation does not permit this delay.

SECTION 3.

The Executive Committee shall meet as necessary, but not less than annually, for the purposes set forth in Section 4.1. The Chairman of the Board shall determine the date and time of meetings.

SECTION 4.

The Executive Committee is also charged with the responsibility for evaluation of the President/CEO and approval of executive compensation.. This committee shall establish a mechanism to quantitatively measure the President's performance of the responsibilities and goals. Participation by and discussion with the President shall be observed in the evaluation process. The Executive Committee will seek input from the entire Board on the President/CEO's performance evaluation and will report its recommendations for compensation.

**ARTICLE XII
THE CORPORATE AUDIT AND COMPLIANCE COMMITTEE**

SECTION 1.

This Committee shall consist of five (5) to seven (7) members appointed by the Chairman of the Board and confirmed by the Board of Directors. The Committee Chairman shall also be appointed by the Chairman of the Board of Directors. At least one (1) person on the Committee

must have, through education or experience, an understanding of GAAP, financial statements and audit committee functions or experience with internal accounting controls and the preparation or auditing of financial statements. The President/CEO of the Corporation shall not serve as a member of this Committee, in order to ensure its objectivity.

SECTION 2.

The Corporate Audit and Compliance Committee shall be responsible for:

- A. Selecting an independent external audit firm for the Corporation and its entities.
- B. Overseeing the external audit firm's performance, ensuring they are compensated and approving the Annual External Audit Report to the Committee and Board of Directors.
- C. Reviewing and approving the Annual Compliance Plan policy and the Annual Audit and Compliance Work Plan as recommended by MSHA's Compliance Officer and Director of Audit and Compliance Services.
- D. Determining, through audit activities directed by MSHA's Compliance Officer, the adequacy of checks and controls throughout the Health System to avoid improprieties.
- E. Overseeing the Corporate Compliance Program for greater assurance that the Corporation complies with all laws and regulations applicable to its business operation.
- F. Reviewing external audit reports, internal audit reports, and compliance review reports and insuring that appropriate actions are taken.
- G. Appraising the effectiveness of the entire audit and compliance function and recommending any necessary actions to be taken.

SECTION 3.

The Committee has the authority to engage independent counsel and other advisors to assist the Committee in ensuring the integrity of the Corporation's financial reporting and external audit. The Assistant Vice President/Compliance Officer and the Director of Corporate Audit and Compliance Services shall report jointly to the Corporate Audit and Compliance Committee of the Board. Reports of internal audits and compliance reviews will be provided by both parties.

SECTION 4.

This Committee shall meet at least quarterly, but more often if necessary, on a date and time determined by the Chairman.

**ARTICLE XIII
THE MEDICAL STAFFS**

SECTION 1.

The Medical Staffs of Mountain States Health Alliance shall be responsible to the Board of Directors for the professional care of patients in the Hospitals and for forming and maintaining self-government. The Medical Staffs shall formulate their own sets of Bylaws and submit them to the Board of Directors. They will become effective upon Board approval. The Medical Staff Bylaws shall be consistent with hospital policy and any applicable legal requirement. Only a member of a Medical Staff with admitting privileges may admit a patient to a Mountain States Health Alliance hospital and may practice only within the scope of the privileges granted by the Board of Directors. Each patient's general medical condition shall be the responsibility of a qualified physician member of the Medical Staff of the hospital in which that patient is a patient.

SECTION 2.

Duties and responsibilities of the Medical Staffs consist of but are not limited to the following:

- A. No applicant shall be denied Medical Staff membership and/or clinical privileges on the basis of sex, race, creed, color, or national origin, or any other criterion lacking professional justification.
- B. The Medical Staff Bylaws will be reviewed and updated annually and will be submitted to the Board of Directors. Changes will become effective upon approval of the Board of Directors.
- C. The Medical Staffs will submit to the Board of Directors written reports and recommendations for appointment and/or reappointment of all members who wish to serve on the Medical Staffs of the various Mountain States Health Alliance hospitals. The written reports shall contain privileges recommended and qualifying data to support the recommendations of each appointment and reappointment.
- D. Appointments to the Medical Staffs shall be no longer than two years. The first six months of an initial appointment will be a provisional period. The applicant will be reviewed at the end of this period for full acceptance, extended provisional status or denial of privileges. The Board of Directors shall rely on the Medical Staffs' recommendation for appointment or reappointment of each physician, dentist, or other health professional applicant based on information concerning: the individual's current licensure; health status, professional performance, judgment, clinical and/or technical skills as indicated in part by the results of performance improvement activities; previously successful or currently pending challenges

to any licensure or registration or the voluntary relinquishment of such licensure or registration; voluntary or involuntary limitation, reduction or loss of clinical privileges at another hospital; and involvement in professional liability actions resulting in adverse judgment or settlement.

- E. In no case shall the Board of Directors take action on an appointment, refuse to renew an appointment or cancel an appointment previously made without consultations with the Credentials Committee and/or the Executive Committee of the Medical Staff of the appropriate Mountain States Health Alliance hospital.
- F. The Executive Committee of the Medical Staffs shall submit periodic reports on the quality and appropriateness of patient care and the clinical performance of individuals with clinical privileges. The Board of Directors will approve recommendations of the Medical Staff Executive Committee for specific programs and procedures for reviewing, evaluating, and maintaining the quality and appropriateness of patient care within the relevant hospital.
- G. When a practitioner receives notice of a recommendation of the Executive Committee or Credentials Committee that will adversely affect his/her appointment as a member of the Medical Staff or his/her exercise of clinical privileges, he/she shall be entitled to a due process hearing as may be allowed by the appropriate Medical Staff Bylaws. It is understood that when the applicant signs the application for appointment to the respective Medical Staffs, he/she agrees to:
 - (1) Abide by the Bylaws of the Board of Directors.
 - (2) Abide by the Bylaws, Rules and Regulations of the Medical Staff of the hospital at which he/she is applying for privileges.
 - (3) Give to the relevant hospital immunity from liability as covered under the Medical Staff Bylaws.
- H. The Board of Directors or its designee, the President/CEO, shall inform applicants of the disposition of their application for Medical Staff membership and/or clinical privileges within a reasonable period of time after their application has been submitted.
- I. A physician or dentist whose engagement by a Mountain States Health Alliance hospital requires membership on the Medical Staff and whose duties are medico-administrative in nature shall not have his/her medical staff privileges terminated without the same due process provisions as are provided for any other member of the Medical Staffs, unless otherwise stated by contract, or by the appropriate Medical Staff Bylaws.
- J. The Medical Staff Bylaws shall include a mechanism for review of any adverse decision when requested by the practitioner, unless otherwise set forth by the Medical Staff Bylaws.

- K. The Board of Directors shall adopt a Hearing and Appeal Procedures Plan which has been approved by the respective Medical Staffs and which is included in the Medical Staff Bylaws.
- L. When the Board of Directors does not concur with a particular Medical Staff's recommendation relative to clinical privileges, the practitioner shall be entitled to such due process rights as may be provided by the appropriate Medical Staff Bylaws.
- M. No physician or dentist shall be eligible for appointment or reappointment or continuation as a member of any Medical Staff without satisfactory evidence of current professional liability insurance coverage in an amount of not less than \$1,000,000.00 through an insurance company licensed or approved by the State of Tennessee. At all times the relevant hospital shall have on file a certificate of insurance that is currently in force and it shall be the physician's responsibility to keep the relevant hospital informed of any changes in such certificate."
- N. Each Medical Staff Executive Committee shall make recommendations on the following areas to the Board of Directors, through their respective Community Boards, for its approval:
 - (1) The structure of the respective Medical Staff;
 - (2) The mechanism used to review credentials and to delineate individual clinical privileges;
 - (3) Individual Medical Staff membership;
 - (4) Specific clinical privileges for each eligible individual;
 - (5) The organization of the performance improvement activities of the respective Medical Staff as well as the mechanism used to conduct, evaluate and revise such activities;
 - (6) The mechanism by which membership on the respective Medical Staff may be terminated; and
 - (7) The mechanism for fair-hearing procedures.

ARTICLE XIV
PERFORMANCE IMPROVEMENT PROGRAM

SECTION 1. Authority and Responsibility - Board of Directors

- A. The Board of Directors has ultimate responsibility for quality patient care and authority for maintaining a Performance Improvement and Risk Management program., The Board may delegate this responsibility to the President/CEO and the Community Boards, together with the authority for action under limitations described in this Article.

- B. The Board of Directors requires the medical staffs and staffs of the various departments/services of the hospitals to implement and report on the activities and mechanisms for monitoring and evaluating the quality of patient care, for identifying and resolving problems, and for identifying opportunities to improve patient care.
- C. The Board of Directors, through the President/CEO, shall fully support performance improvement activities and mechanisms. The Board through the President/CEO shall also provide for adequate resources and support systems for the performance improvement functions related to patient care and safety.
- D. The Board of Directors shall assess the effectiveness of the performance improvement program on an annual basis and shall re-endorse or revise the program as necessary. A record of this assessment shall be maintained and communicated to the President/CEO, and the Community Boards.
- E. The Board of Directors shall support and be committed to the Corporate Compliance Program implemented by this Corporation, and shall utilize their best efforts to ensure compliance within the Corporation and shall acknowledge their responsibility, as the body, for ensuring development and maintenance of the Corporate Compliance Program, through the President/CEO, Corporate Compliance Officer and the Corporation's administrative staff.

SECTION 2. Functions - The Medical Staff

- A. The Medical Staffs of the various hospitals, through their officers, departments, committees and individual members shall make a commitment to actively participate in the performance improvement program by developing indicators to be used for screening, evaluating and utilizing critical clinical judgement concerning identified problems or opportunities to improve care. Findings shall be reported to the Board through appropriate channels. Priority shall be given to those aspects of care which are high-volume, high-risk or problem-prone.
- B. Department Chairmen are responsible for assuring the implementation of a planned and systematic process for monitoring and evaluating the quality and appropriateness of the care and treatment of patients served by the departments and the clinical performance of all individuals with clinical privileges in those departments. When important problems in patient care and clinical performance or opportunities to improve care are identified, action shall be taken and the effectiveness of the action taken evaluated.
- C. The President of the respective Medical Staffs shall facilitate and coordinate medical staff involvement in the performance improvement program and shall serve as advisor

to the respective Community Board on performance improvement matters.

- D. The respective Community Boards may delegate oversight of the hospital-wide performance improvement program as it pertains to the Medical Staff to the Executive Committee of the Medical Staff.

SECTION 3. Functions - Administration

- A. The President/CEO is responsible for implementation of the performance improvement program as it concerns non-physician professionals and technical staffs and patient care units. This official shall actively support the performance improvement program by the provision of adequate resources.
- B. The President/CEO may delegate responsibility for assessing individual patient care related functions to the appropriate hospital department and service directors.
- C. The President/CEO shall delegate appropriate authority and responsibility to those responsible for hospital-wide performance improvement functions.
- D. The President/CEO, through the Administrative Staff, shall provide support for the establishment and maintenance of an operational linkage between the risk management functions related to the clinical aspects of patient care and safety and the performance improvement functions.
- E. The President/CEO shall assure himself that existing information from risk management activities that may be useful in identifying clinical problems and/or opportunities to improve the quality of patient care is accessible to the performance improvement functions.

ARTICLE XV
AUXILIARY ORGANIZATIONS

SECTION 1.

Approval of the Board of Directors is required prior to any auxiliary organization performing services for or within the Mountain States Health Alliance. Such proposals shall state the purpose, function, restrictive activities, organizational structure and any other condition as may be imposed by the Board and/or the President/CEO of the Corporation, or his/her designee. A major criteria in the approval of an auxiliary shall be the extent of its service and the potential effectiveness in serving the general welfare of patients and their families.

SECTION 2.

No individual shall be permitted to perform volunteer services for or within the Health System without being a member of a Board approved auxiliary.

SECTION 3.

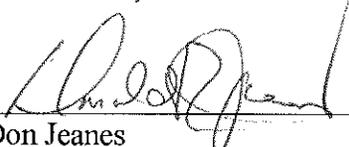
Bylaws of an approved auxiliary shall be approved by the Board of Directors and reviewed annually. At least annually, the Auxiliary shall report to the Board regarding volunteer activities.

**ARTICLE XVI
AMENDING THE BYLAWS**

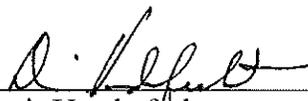
These Bylaws may be altered, amended, or changed, or new, or additional Bylaws adopted by the affirmative vote of two-thirds (2/3) of the members of the Board of Directors present at any regular meeting at which a quorum is present or at any special meeting called for that purpose at which a quorum is present. As required by statute, the Bylaws may also be amended by the Corporation Membership at a regular or special meeting upon approval of two-thirds (2/3) of the votes cast, a quorum being present, or by a majority of the membership. In this event the amended Bylaws would be binding upon the Board of Directors. A review of the Bylaws shall be conducted annually to insure they are current and meet all accreditation standards and other requirements. This review shall be recorded in the minutes of the Board of Directors meeting.

Date of last review and approval by Board of Directors:

December 2, 2005



Don Jeanes
Chairman



Dennis Vonderfecht
President and Chief
Executive Officer

BYLAWS

MOUNTAIN STATES HEALTH ALLIANCE

**DATE OF LAST REVIEW AND APPROVAL
BY BOARD OF DIRECTORS:**

January 5, 2007

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MOUNTAIN STATES HEALTH ALLIANCE**

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BYLAWS

MOUNTAIN STATES HEALTH ALLIANCE

JOHNSON CITY, TENNESSEE

This is a nonprofit Corporation duly and properly incorporated by charter dated the 29th day of March, 1945 and recorded in the Office of the Secretary of State of the State of Tennessee in Miscellaneous Book A 2 on the 12th day of April, 1945, and amended as to name on the 22nd day of March, 1983, as recorded in the Office of the Secretary of State of the State of Tennessee on April 6, 1983. Further amendment as to name was recorded in the Office of the Secretary of State of the State of Tennessee on January 7, 1999.

**ARTICLE I
PRINCIPAL OFFICE OF THE CORPORATION**

The Principal Office of the Corporation shall be at 400 State of Franklin Road, Johnson City, Tennessee.

**ARTICLE II
MEMBERSHIP OF THE CORPORATION**

SECTION 1.

Membership in the Corporation shall consist of persons, firms or corporations subscribing to the capital fund of the Mountain States Health Alliance, or those who contribute through gift or otherwise the sum of not less than one hundred dollars (\$100.00), and who maintain their membership through any annual or periodic fee the Corporation may approve. Provided, however, except for those presently holding membership in the Corporation, that no person, firm or corporation employed by or having any interest in any hospital or health care institution competing with Mountain States Health Alliance, shall be eligible for membership. Provided further that the Board of Directors shall have the right to refuse to grant membership in the Corporation for any other reason suitable to them, coupled with the right to refuse to accept any subscription or gift made or tendered upon condition that the subscribers or givers shall become members of the corporation.

SECTION 2.

Voting rights of the membership shall be limited to persons named on the certificate for individual membership and those named by letter of designation from the institutional/

business membership. Each individual or institution/business will be entitled to one membership certificate and one vote, either in person or by proxy.

SECTION 3.

The membership shall meet at least annually to elect new Board Members and to receive reports on the operation and financial status of the Corporation. Under the provisions of the Charter of the Mountain States Health Alliance, the Board of Directors shall be charged with the responsibility of carrying out all of the functions of the Corporation permitted by the Charter.

ARTICLE III
MEETINGS OF THE MEMBERSHIP

SECTION 1.

The annual meeting of the membership shall be held on the third Tuesday of June, at an hour and place determined by the Chairman, Board of Directors. Special meetings of the membership may be called by the Board of Directors, or by the Chairman, upon reasonable notice, but not less than fifteen days (15) prior to the meeting. A special meeting may also be requested if ten percent (10%) of the membership so desires, by signed petition, to consider any matter that must be approved by the membership. Any such request shall specify the agenda to be discussed and the reasons therefore. Notices pertaining to the annual or special meetings shall be given by advertisement in a newspaper published in Johnson City or Washington County, Tennessee or by personal notice mailed to the members, one month preceding the annual meeting and at least fifteen days prior to special meetings.

SECTION 2.

At any meeting of this membership, annual or special, ten (10) percent of the membership or not less than seventy five (75) in person, whichever is smaller, shall constitute a quorum for the transaction of business.

**ARTICLE IV
BOARD OF DIRECTORS**

SECTION 1.

The management of all affairs of the Corporation shall be vested in a Board of Directors consisting of not less than nine (9) and not more than fourteen (14) persons, including the President/CEO, designated and elected as follows:

- A. To be eligible to serve on the Board of Directors of Mountain States Health Alliance individuals must:
 - 1. Possess one or more of the competencies established from time to time by the Board.
 - 2. Be a Member of the Corporation or the designated representative of a institution/business membership; and
 - 3. Be elected by the Membership at an annual meeting of the Corporation, except as provided in SECTION 4 of this ARTICLE.

- B. In addition to the individuals referenced above, the President/Chief Executive Officer of the Corporation shall serve as an Ex-Officio member of the Board, with full privileges of a member of the Board, including the right to vote. The President/Chief Executive Officer shall retain this position on the Board for so long as he/she holds the position of President/Chief Executive Officer

Additionally, the Board composition shall consist of twenty percent (20%) to twenty-five percent (25%) physician membership.

SECTION 2.

Except for the Ex-Officio Member, Directors shall be elected for a term of three (3) years and shall hold office until their successors are elected. One third of the Directors, except the Ex-Officio Member, shall be elected each year for a three year term so that said terms are staggered. Any person who has served three consecutive terms (a partial term shall not be considered as a full term for the purpose of this SECTION) shall not be eligible to serve as a Director for a period of one year following the termination of his/her third successive term as a Director. A Director who serves as Chairman during the last year of his third consecutive term may remain as a Director for one additional year and then shall not be eligible to serve as a

Director for a period of one year following the termination of his/her third successive term plus one year as past Chairman. At those times when the past Chairman remains on the Board, as herein provided for, the Board shall consist of not more than fifteen (15) persons. Newly elected Board Members shall take office at the first meeting of the Board following the annual meeting of the membership. Any directors elected to a term after January 1, 2000, shall be eligible to serve as fully as permitted hereunder, regardless of whether they have previously served a term(s) as a Director.

SECTION 3.

Directors, other than the Ex-Officio director, shall be elected by the membership at its annual meeting by the procedures described below:

- A. Nominating Committee comprised of no less than three (3) and no more than six (6) individuals shall be recommended to the Board by the Chairman of the Board. In recommending such individuals, the Chairman should attempt to select persons who are familiar with: the strategic directions of Mountain States Health Alliance; the communities throughout the region Mountain States Health Alliance serves; the healthcare environment in general; as well as the competencies which are needed on the Board. Upon receipt of the recommendations from the Chairman, the Board shall approve or disapprove each of the individuals recommended by the Chairman. The President/CEO of Mountain States Health Alliance shall serve as an ex-officio, non-voting member of this Committee. Upon approval of the Nominating Committee by the Board the Chairman of the Board shall appoint one (1) of these members as Chairperson of this committee. The appointed Chairperson of this committee, along with all members of the Nominating Committee, shall be made known to the membership.

The Nominating Committee shall nominate a slate of candidates from the membership, with one (1) candidate for each vacancy to be filled. Prior to ballots being distributed, the Nominating Committee shall present the slate of nominations to the Board of Directors, for approval of each nominee by majority vote of the Directors. Ballots, provided by the Nominating Committee, shall then be sent to each voting membership not less than ten (10) days prior to the annual meeting of the membership. Ballots shall contain the names of the persons nominated and said ballots shall have blank lines under the names of those being nominated to enable the voting membership the opportunity to write in the names of other persons for whom they desire to vote for as Director. The nominees (including write-ins) receiving the greatest number of votes shall be elected to the respective vacancies to be filled.

- B. Enclosed along with the ballots prepared by the Nominating Committee, there shall be a return envelope addressed to the Director of Corporate Audit for Mountain States Health Alliance. The ballot shall be either mailed or returned in the enclosed envelope so that it reaches the date of the annual meeting of the membership or the envelope may be brought

by the voting member to said annual meeting and deposited by the voter in the ballot box. In order for the ballot to be considered eligible for tally, the name of the member voting shall appear on the back of the envelope containing the member's ballot. All ballots received prior to 5:00 p.m. on the day of the annual meeting shall be placed in the ballot box which will be locked and kept in the sole possession of the Director of Corporate Audit.

- C. After 5:00 p.m. on the date of the annual meeting, and before the start of the meeting, all ballots mailed to the Director of Corporate Audit, shall be tallied by him/her with such additional assistance as may be required. Results of the balloting will not be revealed until after ballots brought to the annual meeting have been tallied and added to the previous totals. A certification, signed by the Director of Corporate Audit shall be given to the Chairman, Board of Directors, during the annual meeting, and said certification shall attest to the accuracy of the ballot count and the number of votes each nominee received.

SECTION 4.

Vacancies occurring on the Board of Directors by resignation, death or otherwise shall be filled as follows: The Nominating Committee shall submit the name of one individual for each vacancy for consideration and vote by the Board of Directors. Any such vote shall be by majority vote of the remaining Directors at any regularly called or specially called meeting of said Directors. This process shall continue until the vacancy or vacancies have been filled. Any Director thus elected to fill any vacancy shall hold office for the unexpired term of his/her predecessor.

SECTION 5.

A quorum at all meetings of the Board of Directors shall consist of a majority of the whole Board. If there is less than a quorum at any meeting, the meeting may be adjourned and held on a subsequent date without the usual notice provided a quorum is present at such deferred meeting.

SECTION 6.

Committees of the Board of Directors shall be standing and, when so indicated, special committees may be appointed.

- A. Standing committees shall be an Executive Committee; a Nominating Committee and a Corporate Audit and Compliance Committee. Special committees may be appointed by the Chairman of the Board for specific assignments and for a specified duration.
- B. All Committees of the Board of Directors, except the Executive Committee, shall be

appointed by the Chairman within two (2) weeks after he/she is elected. However, these appointments shall be subject to confirmation or rejection by the Board of Directors at its first meeting following the Chairman's designation of Committee Membership.

- C. A quorum at any committee meeting shall consist of a majority of the entire membership of the committee.
- D. Standing committees shall have the power to act only as stated in these Bylaws or as conferred by the Board of Directors. Special committees shall perform only those duties as may be assigned by the Chairman or the Board of Directors. All committees shall have a chairman, who must be a member of the committee, and a secretary who need not be a member of the committee.

SECTION 7.

Directors shall not be paid a salary for their services. They may, however, be paid for actual expenses incurred when on authorized business of the Corporation.

SECTION 8.

Meetings of the Board of Directors shall be held not less than quarterly and on a day and specific time voted on by the Board of Directors. These meetings shall be held in the offices of the Corporation or at such other places as the Directors may, from time to time, designate. Special meetings of the Board may be called at any time by the Chairman or the Secretary or by one-third of the Directors, upon five (5) days personal or written notice being given to each Director.

SECTION 9.

It is expected that all Directors attend every meeting of the Board and every meeting of a Board committee of which he or she is a member. Absences may be excused for such reasons as illness, unavoidable absence from the city or unavoidable conflict for personal or business reasons. An excused absence will be recorded as such in the minutes of the meeting. It shall be the responsibility of each Board member to notify the Secretary of the Board in advance if he or she cannot attend a meeting and the reason(s) therefore. Secretaries of Board Committees shall likewise be notified in advance if a member cannot attend a meeting. Absences at Board and Committee Meetings shall be reviewed quarterly by the Chairman to determine whether absences, for whatever reason(s), warrants continuation on the Board. A Director who is absent from three consecutive Board meetings, or more than twenty five percent (25%) of the Board meetings in a calendar year, shall be removed from the Board, unless the Board determines, at its next meeting, in its discretion, that there are extenuating reasons for any such excessive absences. If it is determined that a Director shall be removed from the Board due to excessive

absences, the Director shall be so notified by the Secretary of the Board.

SECTION 10.

Except for physicians employed by Mountain States Health Alliance or one of its subsidiaries, paid employees of Mountain States Health Alliance or any of its subsidiaries may not be elected to the Board of Directors. Notwithstanding this Section, however, the President/CEO may serve as a voting Ex Officio member of the Board of Directors as set forth in Section 1B of this Article IV.

SECTION 11.

Mountain States Health Alliance shall indemnify any individual made a party to a civil or criminal proceeding because the individual is or was a Director or Officer of Mountain States Health Alliance, against any liabilities and expenses incurred in the proceeding as allowed by T.C.A. Section 48-58-502 and T.C.A. Section 48-58-507. This indemnification may include Mountain States Health Alliance, advancing reasonable expenses incurred by a Director or Officer who is a party to such a proceeding as allowed by T.C.A. Section 48-58-504.

SECTION 12.

All members of the Board of Directors, Board Committees, Officers of this Corporation, and Key Management Personnel of this Corporation shall comply with the organization's "Conflict of Interest Policy", including the annual completion and submission of the "Acknowledgment Form" and "Disclosure Statement" that are a part of this Policy. In addition, all members of the Board of Directors shall complete and submit annually the "Board Members Confidentiality Agreement".

As used in the Policy and these Bylaws, the term "Conflict of Interest" is defined as being applicable as follows:

"Conflicting Interest" shall mean service as a member, shareholder, trustee, owner, partner, director, officer, or employee of any organization or governmental entity that either:

- (i) competes with this Corporation or any Affiliate, or
- (ii) is involved or is likely to become involved in any litigation or adversarial proceeding with this Corporation or any Affiliate or
- (iii) is seeking or soliciting funds or other substantial benefits from this Corporation.

"Financial Interest" shall mean any arrangement or transaction pursuant to which an Interested Person has, directly or indirectly, through business, investment or family, either:

- (i) a present or potential ownership, investment interest or compensation arrangement in any

entity with which this Corporation or any Affiliate has or may have a transaction or arrangement; or

- (ii) a compensation arrangement with this Corporation or any entity or individual with which this Corporation or any Affiliate has or may have a transaction or arrangement.

ARTICLE V OFFICERS OF THE BOARD

The officers of the Corporation shall be a Chairman, a Vice Chairman, a Secretary, and a Treasurer. The Board of Directors shall elect these officers at the organizational meeting of the Board following the annual meeting of the membership of the Corporation. Officers shall take office on the first day of the month following their election and shall hold office for one year from and after their election or until their successors shall be elected and assume their duties.

ARTICLE VI DUTIES OF THE CHAIRMAN OF THE BOARD

It shall be the duty of the Chairman to preside at all meetings of the Board of Directors; to sign all membership certificates; to execute all contracts that require the Chairman's signature in the name of the Corporation; and to perform all other duties usually associated with the office of Chairman of a Corporation. In addition, it is required that the Board of Directors evaluate its own performance. The leadership for this review of performance rests with the Chairman. A formalized mechanism shall be adopted to conduct a performance evaluation, including but not limited to attendance, participation, accomplishment of hospital goals, involvement in programs of continuing education in fields of health and management, and performance improvement mechanisms. Evaluations shall be documented, reviewed periodically with an objective of correcting weaknesses, and filed with official records of the Board. A Chairman may serve a maximum of two terms as Chairman, each term being one year in duration.

ARTICLE VII DUTIES OF THE VICE CHAIRMAN

The duties of the Vice Chairman shall be to preside at the Board of Directors meeting in the absence of the Chairman and to perform such other duties and have such authority as may be fixed by the Board of Directors.

**ARTICLE VIII
DUTIES OF THE SECRETARY**

The Secretary shall attend all meetings of the Board of Directors and shall keep records of the meetings or cause the same to be done and have said records recorded as minutes of the Board, as well as attend to the giving and serving of all notices. The Secretary shall have charge of all records of the Corporation. In addition, the Secretary shall keep in safe custody the seal of the Corporation and when so affixed the Secretary shall attest the same by signature. The Secretary shall have the general duties, power, and responsibilities of the Secretary of a Corporation.

**ARTICLE IX
DUTIES OF THE TREASURER**

The Treasurer shall have responsibility for the safe keeping of funds and securities of the Corporation, shall keep or cause to be kept full and accurate accounts of receipts and disbursements and shall keep or cause to be kept all other accounting records of the Corporation. The Treasurer shall also receive and deposit, or cause the same to be done, all funds of the Corporation coming into his hands in such depository as may be so designated by the Board of Directors and withdraw the same only on checks of the Corporation signed by himself, or others as authorized by the Board of Directors.

**ARTICLE X
PRESIDENT AND CHIEF EXECUTIVE OFFICER**

SECTION 1.

The Board of Directors shall select and employ a competent and experienced President and CEO who shall report to and be its direct representative in the management of the health care system. This official shall be vested with the necessary authority and responsibility, in accordance with board policies, goals and expressed directions, to: Conduct all financial and business affairs of the Corporation; Maintain and improve quality in cooperation with the medical staffs of its facilities; Act as spokesperson for the Corporation; and Exercise other responsibilities necessary for effective operations.

SECTION 2.

The goals of the hospital are set forth in ARTICLE XX of these Bylaws. It shall be a major duty of the President to extend the goals to terms of measurable objectives or specific end results against which his performance can in part be evaluated by the Board of Directors on an annual basis or more often if indicated.

**ARTICLE XI
THE EXECUTIVE COMMITTEE**

SECTION 1.

The Executive Committee shall consist of the Chairman, Vice Chairman, Secretary, and Treasurer of the Board of Directors, and the immediate Past Chairman of the Board of Directors.

SECTION 2.

The Executive Committee shall have the power to transact all regular business of the Corporation during the interim between regular meetings of the Board of Directors, provided that any action taken shall not conflict with the policies and expressed wishes of the Board. All matters of major importance shall be referred to the entire Board of Directors unless the urgency of situation does not permit this delay.

SECTION 3.

The Executive Committee shall meet as necessary, but not less than annually, for the purposes set forth in Section 4.1. The Chairman of the Board shall determine the date and time of meetings.

SECTION 4.

The Executive Committee is also charged with the responsibility for evaluation of the President/CEO and approval of executive compensation. This committee shall establish a mechanism to quantitatively measure the President's performance of the responsibilities and goals. Participation by and discussion with the President shall be observed in the evaluation process. The Executive Committee will seek input from the entire Board on the President/CEO's performance evaluation and will report its recommendations for compensation.

**ARTICLE XII
THE CORPORATE AUDIT AND COMPLIANCE COMMITTEE**

SECTION 1.

This Committee shall consist of five (5) to seven (7) members appointed by the Chairman of the Board and confirmed by the Board of Directors. The Committee Chairman shall also be appointed by the Chairman of the Board of Directors. At least one (1) person on the Committee

must have, through education or experience, an understanding of GAAP, financial statements and audit committee functions or experience with internal accounting controls and the preparation or auditing of financial statements. The President/CEO of the Corporation shall not serve as a member of this Committee, in order to ensure its objectivity.

SECTION 2.

The Corporate Audit and Compliance Committee shall be responsible for:

- A. Selecting an independent external audit firm for the Corporation and its entities.
- B. Overseeing the external audit firm's performance, ensuring they are compensated and approving the Annual External Audit Report to the Committee and Board of Directors.
- C. Reviewing and approving the Annual Compliance Plan policy and the Annual Audit and Compliance Work Plan as recommended by MSHA's Compliance Officer and Director of Audit and Compliance Services.
- D. Determining, through audit activities directed by MSHA's Compliance Officer, the adequacy of checks and controls throughout the Health System to avoid improprieties.
- E. Overseeing the Corporate Compliance Program for greater assurance that the Corporation complies with all laws and regulations applicable to its business operation.
- F. Reviewing external audit reports, internal audit reports, and compliance review reports and insuring that appropriate actions are taken.
- G. Appraising the effectiveness of the entire audit and compliance function and recommending any necessary actions to be taken.

SECTION 3.

The Committee has the authority to engage independent counsel and other advisors to assist the Committee in ensuring the integrity of the Corporation's financial reporting and external audit. The Assistant Vice President/Compliance Officer and the Director of Corporate Audit and Compliance Services shall report jointly to the Corporate Audit and Compliance Committee of the Board. Reports of internal audits and compliance reviews will be provided by both parties.

SECTION 4.

This Committee shall meet at least quarterly, but more often if necessary, on a date and time determined by the Chairman.

ARTICLE XIII
THE MEDICAL STAFFS

SECTION 1.

The Medical Staffs of Mountain States Health Alliance shall be responsible to the Board of Directors for the professional care of patients in the Hospitals and for forming and maintaining self-government. The Medical Staffs shall formulate their own sets of Bylaws and submit them to the Board of Directors. They will become effective upon Board approval. The Medical Staff Bylaws shall be consistent with hospital policy and any applicable legal requirement. Only a member of a Medical Staff with admitting privileges may admit a patient to a Mountain States Health Alliance hospital and may practice only within the scope of the privileges granted by the Board of Directors. Each patient's general medical condition shall be the responsibility of a qualified physician member of the Medical Staff of the hospital in which that patient is a patient.

SECTION 2.

Duties and responsibilities of the Medical Staffs consist of but are not limited to the following:

- A. No applicant shall be denied Medical Staff membership and/or clinical privileges on the basis of sex, race, creed, color, or national origin, or any other criterion lacking professional justification.
- B. The Medical Staff Bylaws will be reviewed and updated annually and will be submitted to the Board of Directors. Changes will become effective upon approval of the Board of Directors.
- C. The Medical Staffs will submit to the Board of Directors written reports and recommendations for appointment and/or reappointment of all members who wish to serve on the Medical Staffs of the various Mountain States Health Alliance hospitals. The written reports shall contain privileges recommended and qualifying data to support the recommendations of each appointment and reappointment.
- D. Appointments to the Medical Staffs shall be no longer than two years. The first six months of an initial appointment will be a provisional period. The applicant will be reviewed at the end of this period for full acceptance, extended provisional status or denial of privileges. The Board of Directors shall rely on the Medical Staffs' recommendation for appointment or reappointment of each physician, dentist, or other health professional applicant based on information concerning: the individual's current licensure; health status, professional performance, judgment, clinical and/or technical skills as indicated in part by the results of performance improvement activities; previously successful or currently pending challenges

to any licensure or registration or the voluntary relinquishment of such licensure or registration; voluntary or involuntary limitation, reduction or loss of clinical privileges at another hospital; and involvement in professional liability actions resulting in adverse judgment or settlement.

- E. In no case shall the Board of Directors take action on an appointment, refuse to renew an appointment or cancel an appointment previously made without consultations with the Credentials Committee and/or the Executive Committee of the Medical Staff of the appropriate Mountain States Health Alliance hospital.
- F. The Executive Committee of the Medical Staffs shall submit periodic reports on the quality and appropriateness of patient care and the clinical performance of individuals with clinical privileges. The Board of Directors will approve recommendations of the Medical Staff Executive Committee for specific programs and procedures for reviewing, evaluating, and maintaining the quality and appropriateness of patient care within the relevant hospital.
- G. When a practitioner receives notice of a recommendation of the Executive Committee or Credentials Committee that will adversely affect his/her appointment as a member of the Medical Staff or his/her exercise of clinical privileges, he/she shall be entitled to a due process hearing as may be allowed by the appropriate Medical Staff Bylaws. It is understood that when the applicant signs the application for appointment to the respective Medical Staffs, he/she agrees to:
 - (1) Abide by the Bylaws of the Board of Directors.
 - (2) Abide by the Bylaws, Rules and Regulations of the Medical Staff of the hospital at which he/she is applying for privileges.
 - (3) Give to the relevant hospital immunity from liability as covered under the Medical Staff Bylaws.
- H. The Board of Directors or its designee, the President/CEO, shall inform applicants of the disposition of their application for Medical Staff membership and/or clinical privileges within a reasonable period of time after their application has been submitted.
- I. A physician or dentist whose engagement by a Mountain States Health Alliance hospital requires membership on the Medical Staff and whose duties are medico-administrative in nature shall not have his/her medical staff privileges terminated without the same due process provisions as are provided for any other member of the Medical Staffs, unless otherwise stated by contract, or by the appropriate Medical Staff Bylaws.
- J. The Medical Staff Bylaws shall include a mechanism for review of any adverse decision when requested by the practitioner, unless otherwise set forth by the Medical Staff Bylaws.

- K. The Board of Directors shall adopt a Hearing and Appeal Procedures Plan which has been approved by the respective Medical Staffs and which is included in the Medical Staff Bylaws.
- L. When the Board of Directors does not concur with a particular Medical Staff's recommendation relative to clinical privileges, the practitioner shall be entitled to such due process rights as may be provided by the appropriate Medical Staff Bylaws.
- M. No physician or dentist shall be eligible for appointment or reappointment or continuation as a member of any Medical Staff without satisfactory evidence of current professional liability insurance coverage in an amount of not less than \$1,000,000.00 through an insurance company licensed or approved by the State of Tennessee. At all times the relevant hospital shall have on file a certificate of insurance that is currently in force and it shall be the physician's responsibility to keep the relevant hospital informed of any changes in such certificate."
- N. Each Medical Staff Executive Committee shall make recommendations on the following areas to the Board of Directors, through their respective Community Boards, for its approval:
 - (1) The structure of the respective Medical Staff;
 - (2) The mechanism used to review credentials and to delineate individual clinical privileges;
 - (3) Individual Medical Staff membership;
 - (4) Specific clinical privileges for each eligible individual;
 - (5) The organization of the performance improvement activities of the respective Medical Staff as well as the mechanism used to conduct, evaluate and revise such activities;
 - (6) The mechanism by which membership on the respective Medical Staff may be terminated; and
 - (7) The mechanism for fair-hearing procedures.

ARTICLE XIV
PERFORMANCE IMPROVEMENT PROGRAM

SECTION 1. Authority and Responsibility - Board of Directors

- A. The Board of Directors has ultimate responsibility for quality patient care and authority for maintaining a Performance Improvement and Risk Management program., The Board may delegate this responsibility to the President/CEO and the Community Boards, together with the authority for action under limitations described in this Article.

- B. The Board of Directors requires the medical staffs and staffs of the various departments/services of the hospitals to implement and report on the activities and mechanisms for monitoring and evaluating the quality of patient care, for identifying and resolving problems, and for identifying opportunities to improve patient care.
- C. The Board of Directors, through the President/CEO, shall fully support performance improvement activities and mechanisms. The Board through the President/CEO shall also provide for adequate resources and support systems for the performance improvement functions related to patient care and safety.
- D. The Board of Directors shall assess the effectiveness of the performance improvement program on an annual basis and shall re-endorse or revise the program as necessary. A record of this assessment shall be maintained and communicated to the President/CEO, and the Community Boards.
- E. The Board of Directors shall support and be committed to the Corporate Compliance Program implemented by this Corporation, and shall utilize their best efforts to ensure compliance within the Corporation and shall acknowledge their responsibility, as the body, for ensuring development and maintenance of the Corporate Compliance Program, through the President/CEO, Corporate Compliance Officer and the Corporation's administrative staff.

SECTION 2. Functions - The Medical Staff

- A. The Medical Staffs of the various hospitals, through their officers, departments, committees and individual members shall make a commitment to actively participate in the performance improvement program by developing indicators to be used for screening, evaluating and utilizing critical clinical judgement concerning identified problems or opportunities to improve care. Findings shall be reported to the Board through appropriate channels. Priority shall be given to those aspects of care which are high-volume, high-risk or problem-prone.
- B. Department Chairmen are responsible for assuring the implementation of a planned and systematic process for monitoring and evaluating the quality and appropriateness of the care and treatment of patients served by the departments and the clinical performance of all individuals with clinical privileges in those departments. When important problems in patient care and clinical performance or opportunities to improve care are identified, action shall be taken and the effectiveness of the action taken evaluated.
- C. The President of the respective Medical Staffs shall facilitate and coordinate medical staff involvement in the performance improvement program and shall serve as advisor

to the respective Community Board on performance improvement matters.

- D. The respective Community Boards may delegate oversight of the hospital-wide performance improvement program as it pertains to the Medical Staff to the Executive Committee of the Medical Staff.

SECTION 3. Functions - Administration

- A. The President/CEO is responsible for implementation of the performance improvement program as it concerns non-physician professionals and technical staffs and patient care units. This official shall actively support the performance improvement program by the provision of adequate resources.
- B. The President/CEO may delegate responsibility for assessing individual patient care related functions to the appropriate hospital department and service directors.
- C. The President/CEO shall delegate appropriate authority and responsibility to those responsible for hospital-wide performance improvement functions.
- D. The President/CEO, through the Administrative Staff, shall provide support for the establishment and maintenance of an operational linkage between the risk management functions related to the clinical aspects of patient care and safety and the performance improvement functions.
- E. The President/CEO shall assure himself that existing information from risk management activities that may be useful in identifying clinical problems and/or opportunities to improve the quality of patient care is accessible to the performance improvement functions.

ARTICLE XV AUXILIARY ORGANIZATIONS

SECTION 1.

Approval of the Board of Directors is required prior to any auxiliary organization performing services for or within the Mountain States Health Alliance. Such proposals shall state the purpose, function, restrictive activities, organizational structure and any other condition as may be imposed by the Board and/or the President/CEO of the Corporation, or his/her designee. A major criteria in the approval of an auxiliary shall be the extent of its service and the potential effectiveness in serving the general welfare of patients and their families.

SECTION 2.

No individual shall be permitted to perform volunteer services for or within the Health System without being a member of a Board approved auxiliary.

SECTION 3.

Bylaws of an approved auxiliary shall be approved by the Board of Directors and reviewed annually. At least annually, the Auxiliary shall report to the Board regarding volunteer activities.

**ARTICLE XVI
AMENDING THE BYLAWS**

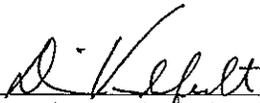
These Bylaws may be altered, amended, or changed, or new, or additional Bylaws adopted by the affirmative vote of two-thirds (2/3) of the members of the Board of Directors present at any regular meeting at which a quorum is present or at any special meeting called for that purpose at which a quorum is present. As required by statute, the Bylaws may also be amended by the Corporation Membership at a regular or special meeting upon approval of two-thirds (2/3) of the votes cast, a quorum being present, or by a majority of the membership. In this event the amended Bylaws would be binding upon the Board of Directors. A review of the Bylaws shall be conducted annually to insure they are current and meet all accreditation standards and other requirements. This review shall be recorded in the minutes of the Board of Directors meeting.

Date of last review and approval by Board of Directors:

January 5, 2007



Joanne Gilmer
Chairperson



Dennis Vonderfecht
President and Chief
Executive Officer

BYLAWS

MOUNTAIN STATES HEALTH ALLIANCE

**DATE OF LAST REVIEW AND APPROVAL
BY BOARD OF DIRECTORS:**

April 5, 2008

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MOUNTAIN STATES HEALTH ALLIANCE**

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BYLAWS

MOUNTAIN STATES HEALTH ALLIANCE

JOHNSON CITY, TENNESSEE

This is a nonprofit Corporation duly and properly incorporated by charter dated the 29th day of March, 1945 and recorded in the Office of the Secretary of State of the State of Tennessee in Miscellaneous Book A 2 on the 12th day of April, 1945, and amended as to name on the 22nd day of March, 1983, as recorded in the Office of the Secretary of State of the State of Tennessee on April 6, 1983. Further amendment as to name was recorded in the Office of the Secretary of State of the State of Tennessee on January 7, 1999.

**ARTICLE I
PRINCIPAL OFFICE OF THE CORPORATION**

The Principal Office of the Corporation shall be at 400 State of Franklin Road, Johnson City, Tennessee.

**ARTICLE II
MEMBERSHIP OF THE CORPORATION**

SECTION 1.

Membership in the Corporation shall consist of persons, firms or corporations subscribing to the capital fund of the Mountain States Health Alliance, or those who contribute through gift or otherwise the sum of not less than one hundred dollars (\$100.00), and who maintain their membership through any annual or periodic fee the Corporation may approve. Provided, however, except for those presently holding membership in the Corporation, that no person, firm or corporation employed by or having any interest in any hospital or health care institution competing with Mountain States Health Alliance, shall be eligible for membership. Provided further that the Board of Directors shall have the right to refuse to grant membership in the Corporation for any other reason suitable to them, coupled with the right to refuse to accept any subscription or gift made or tendered upon condition that the subscribers or givers shall become members of the corporation.

SECTION 2.

Voting rights of the membership shall be limited to persons named on the certificate for individual membership and those named by letter of designation from the institutional/

business membership. Each individual or institution/ business will be entitled to one membership certificate and one vote, either in person or by proxy.

SECTION 3.

The membership shall meet at least annually to elect new Board Members and to receive reports on the operation and financial status of the Corporation. Under the provisions of the Charter of the Mountain States Health Alliance, the Board of Directors shall be charged with the responsibility of carrying out all of the functions of the Corporation permitted by the Charter.

ARTICLE III
MEETINGS OF THE MEMBERSHIP

SECTION 1.

The annual meeting of the membership shall be held on the third Tuesday of June, at an hour and place determined by the Chairman, Board of Directors. Special meetings of the membership may be called by the Board of Directors, or by the Chairman, upon reasonable notice, but not less than fifteen days (15) prior to the meeting. A special meeting may also be requested if ten percent (10%) of the membership so desires, by signed petition, to consider any matter that must be approved by the membership. Any such request shall specify the agenda to be discussed and the reasons therefore. Notices pertaining to the annual or special meetings shall be given by advertisement in a newspaper published in Johnson City or Washington County, Tennessee or by personal notice mailed to the members, one month preceding the annual meeting and at least fifteen days prior to special meetings.

SECTION 2.

At any meeting of this membership, annual or special, ten (10) percent of the membership or not less than seventy five (75) in person, whichever is smaller, shall constitute a quorum for the transaction of business.

**ARTICLE IV
BOARD OF DIRECTORS**

SECTION 1.

The management of all affairs of the Corporation shall be vested in a Board of Directors consisting of not less than nine (9) and not more than fourteen (14) persons, including the President/CEO, designated and elected as follows:

- A. To be eligible to serve on the Board of Directors of Mountain States Health Alliance individuals must:
1. Possess one or more of the competencies established from time to time by the Board.
 2. Be a Member of the Corporation or the designated representative of a institution/business membership; and
 3. Be elected by the Membership at an annual meeting of the Corporation, except as provided in SECTION 4 of this ARTICLE.
- B. In addition to the individuals referenced above, the President/Chief Executive Officer of the Corporation shall serve as an Ex-Officio member of the Board, with full privileges of a member of the Board, including the right to vote. The President/Chief Executive Officer shall retain this position on the Board for so long as he/she holds the position of President/Chief Executive Officer

Additionally, the Board composition shall consist of twenty percent (20%) to twenty-five percent (25%) physician membership.

SECTION 2.

Except for the Ex-Officio Member, Directors shall be elected for a term of three (3) years and shall hold office until their successors are elected. One third of the Directors, except the Ex-Officio Member, shall be elected each year for a three year term so that said terms are staggered. Any person who has served three consecutive terms (a partial term shall not be considered as a full term for the purpose of this SECTION) shall not be eligible to serve as a Director for a period of one year following the termination of his/her third successive term as a Director. A Director who serves as Chairman during the last year of his third consecutive term may remain as a Director for one additional year and then shall not be eligible to serve as a

Director for a period of one year following the termination of his/her third successive term plus one year as past Chairman. At those times when the past Chairman remains on the Board, as herein provided for, the Board shall consist of not more than fifteen (15) persons. Newly elected Board Members shall take office at the first meeting of the Board following the annual meeting of the membership. Any directors elected to a term after January 1, 2000, shall be eligible to serve as fully as permitted hereunder, regardless of whether they have previously served a term(s) as a Director.

SECTION 3.

Directors, other than the Ex-Officio director, shall be elected by the membership at its annual meeting by the procedures described below:

- A. Nominating Committee comprised of no less than three (3) and no more than six (6) individuals shall be recommended to the Board by the Chairman of the Board. In recommending such individuals, the Chairman should attempt to select persons who are familiar with: the strategic directions of Mountain States Health Alliance; the communities throughout the region Mountain States Health Alliance serves; the healthcare environment in general; as well as the competencies which are needed on the Board. Upon receipt of the recommendations from the Chairman, the Board shall approve or disapprove each of the individuals recommended by the Chairman. The President/CEO of Mountain States Health Alliance shall serve as an ex-officio, non-voting member of this Committee. Upon approval of the Nominating Committee by the Board the Chairman of the Board shall appoint one (1) of these members as Chairperson of this committee. The appointed Chairperson of this committee, along with all members of the Nominating Committee, shall be made known to the membership.

The Nominating Committee shall nominate a slate of candidates from the membership, with one (1) candidate for each vacancy to be filled. Prior to ballots being distributed, the Nominating Committee shall present the slate of nominations to the Board of Directors, for approval of each nominee by majority vote of the Directors. Ballots, provided by the Nominating Committee, shall then be sent to each voting membership not less than ten (10) days prior to the annual meeting of the membership. Ballots shall contain the names of the persons nominated and said ballots shall have blank lines under the names of those being nominated to enable the voting membership the opportunity to write in the names of other persons for whom they desire to vote for as Director. The nominees (including write-ins) receiving the greatest number of votes shall be elected to the respective vacancies to be filled.

- B. Enclosed along with the ballots prepared by the Nominating Committee, there shall be a return envelope addressed to the Director of Corporate Audit for Mountain States Health Alliance. The ballot shall be either mailed or returned in the enclosed envelope so that it reaches the date of the annual meeting of the membership or the envelope may be brought

by the voting member to said annual meeting and deposited by the voter in the ballot box. In order for the ballot to be considered eligible for tally, the name of the member voting shall appear on the back of the envelope containing the member's ballot. All ballots received prior to 5:00 p.m. on the day of the annual meeting shall be placed in the ballot box which will be locked and kept in the sole possession of the Director of Corporate Audit.

- C. After 5:00 p.m. on the date of the annual meeting, and before the start of the meeting, all ballots mailed to the Director of Corporate Audit, shall be tallied by him/her with such additional assistance as may be required. Results of the balloting will not be revealed until after ballots brought to the annual meeting have been tallied and added to the previous totals. A certification, signed by the Director of Corporate Audit shall be given to the Chairman, Board of Directors, during the annual meeting, and said certification shall attest to the accuracy of the ballot count and the number of votes each nominee received.

SECTION 4.

Vacancies occurring on the Board of Directors by resignation, death or otherwise shall be filled as follows: The Nominating Committee shall submit the name of one individual for each vacancy for consideration and vote by the Board of Directors. Any such vote shall be by majority vote of the remaining Directors at any regularly called or specially called meeting of said Directors. This process shall continue until the vacancy or vacancies have been filled. Any Director thus elected to fill any vacancy shall hold office for the unexpired term of his/her predecessor.

SECTION 5.

A quorum at all meetings of the Board of Directors shall consist of a majority of the whole Board. If there is less than a quorum at any meeting, the meeting may be adjourned and held on a subsequent date without the usual notice provided a quorum is present at such deferred meeting.

SECTION 6.

Committees of the Board of Directors shall be standing and, when so indicated, special committees may be appointed.

- A. Standing committees shall be an Executive Committee; a Nominating Committee and a Corporate Audit and Compliance Committee. Special committees may be appointed by the Chairman of the Board for specific assignments and for a specified duration.
- B. All Committees of the Board of Directors, except the Executive Committee, shall be

appointed by the Chairman within two (2) weeks after he/she is elected. However, these appointments shall be subject to confirmation or rejection by the Board of Directors at its first meeting following the Chairman's designation of Committee Membership.

- C. A quorum at any committee meeting shall consist of a majority of the entire membership of the committee.
- D. Standing committees shall have the power to act only as stated in these Bylaws or as conferred by the Board of Directors. Special committees shall perform only those duties as may be assigned by the Chairman or the Board of Directors. All committees shall have a chairman, who must be a member of the committee, and a secretary who need not be a member of the committee.

SECTION 7.

Directors shall not be paid a salary for their services. They may, however, be paid for actual expenses incurred when on authorized business of the Corporation.

SECTION 8.

Meetings of the Board of Directors shall be held not less than quarterly and on a day and specific time voted on by the Board of Directors. These meetings shall be held in the offices of the Corporation or at such other places as the Directors may, from time to time, designate. Special meetings of the Board may be called at any time by the Chairman or the Secretary or by one-third of the Directors, upon five (5) days personal or written notice being given to each Director.

SECTION 9.

It is expected that all Directors attend every meeting of the Board and every meeting of a Board committee of which he or she is a member. Absences may be excused for such reasons as illness, unavoidable absence from the city or unavoidable conflict for personal or business reasons. An excused absence will be recorded as such in the minutes of the meeting. It shall be the responsibility of each Board member to notify the Secretary of the Board in advance if he or she cannot attend a meeting and the reason(s) therefore. Secretaries of Board Committees shall likewise be notified in advance if a member cannot attend a meeting. Absences at Board and Committee Meetings shall be reviewed quarterly by the Chairman to determine whether absences, for whatever reason(s), warrants continuation on the Board. A Director who is absent from three consecutive Board meetings, or more than twenty five percent (25%) of the Board meetings in a calendar year, shall be removed from the Board, unless the Board determines, at its next meeting, in its discretion, that there are extenuating reasons for any such excessive absences. If it is determined that a Director shall be removed from the Board due to excessive

absences, the Director shall be so notified by the Secretary of the Board.

SECTION 10.

Except for physicians employed by Mountain States Health Alliance or one of its subsidiaries, paid employees of Mountain States Health Alliance or any of its subsidiaries may not be elected to the Board of Directors. Notwithstanding this Section, however, the President/CEO may serve as a voting Ex Officio member of the Board of Directors as set forth in Section 1B of this Article IV.

SECTION 11.

Mountain States Health Alliance shall indemnify any individual made a party to a civil or criminal proceeding because the individual is or was a Director or Officer of Mountain States Health Alliance, against any liabilities and expenses incurred in the proceeding as allowed by T.C.A. Section 48-58-502 and T.C.A. Section 48-58-507. This indemnification may include Mountain States Health Alliance, advancing reasonable expenses incurred by a Director or Officer who is a party to such a proceeding as allowed by T.C.A. Section 48-58-504.

SECTION 12.

All members of the Board of Directors, Board Committees, Officers of this Corporation, and Key Management Personnel of this Corporation shall comply with the organization's "Conflict of Interest Policy", including the annual completion and submission of the "Acknowledgment Form" and "Disclosure Statement" that are a part of this Policy. In addition, all members of the Board of Directors shall complete and submit annually the "Board Members Confidentiality Agreement".

As used in the Policy and these Bylaws, the term "Conflict of Interest" is defined as being applicable as follows:

"Conflicting Interest" shall mean service as a member, shareholder, trustee, owner, partner, director, officer, or employee of any organization or governmental entity that either:

- (i) competes with this Corporation or any Affiliate, or
- (ii) is involved or is likely to become involved in any litigation or adversarial proceeding with this Corporation or any Affiliate or
- (iii) is seeking or soliciting funds or other substantial benefits from this Corporation.

"Financial Interest" shall mean any arrangement or transaction pursuant to which an Interested Person has, directly or indirectly, through business, investment or family, either:

- (i) a present or potential ownership, investment interest or compensation arrangement in any

entity with which this Corporation or any Affiliate has or may have a transaction or arrangement; or

- (ii) a compensation arrangement with this Corporation or any entity or individual with which this Corporation or any Affiliate has or may have a transaction or arrangement.

ARTICLE V **OFFICERS OF THE BOARD**

The officers of the Corporation shall be a Chairman, a Vice Chairman, a Secretary, and a Treasurer. The Board of Directors shall elect these officers at the organizational meeting of the Board following the annual meeting of the membership of the Corporation. Officers shall take office on the first day of the month following their election and shall hold office for one year from and after their election or until their successors shall be elected and assume their duties.

ARTICLE VI **DUTIES OF THE CHAIRMAN OF THE BOARD**

It shall be the duty of the Chairman to preside at all meetings of the Board of Directors; to sign all membership certificates; to execute all contracts that require the Chairman's signature in the name of the Corporation; and to perform all other duties usually associated with the office of Chairman of a Corporation. In addition, it is required that the Board of Directors evaluate its own performance. The leadership for this review of performance rests with the Chairman. A formalized mechanism shall be adopted to conduct a performance evaluation, including but not limited to attendance, participation, accomplishment of hospital goals, involvement in programs of continuing education in fields of health and management, and performance improvement mechanisms. Evaluations shall be documented, reviewed periodically with an objective of correcting weaknesses, and filed with official records of the Board. A Chairman may serve a maximum of two terms as Chairman, each term being one year in duration.

ARTICLE VII **DUTIES OF THE VICE CHAIRMAN**

The duties of the Vice Chairman shall be to preside at the Board of Directors meeting in the absence of the Chairman and to perform such other duties and have such authority as may be fixed by the Board of Directors.

**ARTICLE VIII
DUTIES OF THE SECRETARY**

The Secretary shall attend all meetings of the Board of Directors and shall keep records of the meetings or cause the same to be done and have said records recorded as minutes of the Board, as well as attend to the giving and serving of all notices. The Secretary shall have charge of all records of the Corporation. In addition, the Secretary shall keep in safe custody the seal of the Corporation and when so affixed the Secretary shall attest the same by signature. The Secretary shall have the general duties, power, and responsibilities of the Secretary of a Corporation.

**ARTICLE IX
DUTIES OF THE TREASURER**

The Treasurer shall have responsibility for the safe keeping of funds and securities of the Corporation, shall keep or cause to be kept full and accurate accounts of receipts and disbursements and shall keep or cause to be kept all other accounting records of the Corporation. The Treasurer shall also receive and deposit, or cause the same to be done, all funds of the Corporation coming into his hands in such depository as may be so designated by the Board of Directors and withdraw the same only on checks of the Corporation signed by himself, or others as authorized by the Board of Directors.

**ARTICLE X
PRESIDENT AND CHIEF EXECUTIVE OFFICER**

SECTION 1.

The Board of Directors shall select and employ a competent and experienced President and CEO who shall report to and be its direct representative in the management of the health care system. This official shall be vested with the necessary authority and responsibility, in accordance with board policies, goals and expressed directions, to: Conduct all financial and business affairs of the Corporation; Maintain and improve quality in cooperation with the medical staffs of its facilities; Act as spokesperson for the Corporation; and Exercise other responsibilities necessary for effective operations.

SECTION 2.

The goals of the hospital are set forth in ARTICLE XX of these Bylaws. It shall be a major duty of the President to extend the goals to terms of measurable objectives or specific end results against which his performance can in part be evaluated by the Board of Directors on an annual basis or more often if indicated.

**ARTICLE XI
THE EXECUTIVE COMMITTEE**

SECTION 1.

The Executive Committee shall consist of the Chairman, Vice Chairman, Secretary, and Treasurer of the Board of Directors, and the immediate Past Chairman of the Board of Directors.

SECTION 2.

The Executive Committee shall have the power to transact all regular business of the Corporation during the interim between regular meetings of the Board of Directors, provided that any action taken shall not conflict with the policies and expressed wishes of the Board. All matters of major importance shall be referred to the entire Board of Directors unless the urgency of situation does not permit this delay.

SECTION 3.

The Executive Committee shall meet as necessary, but not less than annually, for the purposes set forth in Section 4.1. The Chairman of the Board shall determine the date and time of meetings.

SECTION 4.

The Executive Committee is also charged with the responsibility for evaluation of the President/CEO and approval of executive compensation.. This committee shall establish a mechanism to quantitatively measure the President's performance of the responsibilities and goals. Participation by and discussion with the President shall be observed in the evaluation process. The Executive Committee will seek input from the entire Board on the President/CEO's performance evaluation and will report its recommendations for compensation.

**ARTICLE XII
THE CORPORATE AUDIT AND COMPLIANCE COMMITTEE**

SECTION 1.

This Committee shall consist of five (5) to seven (7) members appointed by the Chairman of the Board and confirmed by the Board of Directors. The Committee Chairman shall also be appointed by the Chairman of the Board of Directors. At least one (1) person on the Committee

must have, through education or experience, an understanding of GAAP, financial statements and audit committee functions or experience with internal accounting controls and the preparation or auditing of financial statements. The President/CEO of the Corporation shall not serve as a member of this Committee, in order to ensure its objectivity.

SECTION 2.

The Corporate Audit and Compliance Committee shall be responsible for:

- A. Selecting an independent external audit firm for the Corporation and its entities.
- B. Overseeing the external audit firm's performance, ensuring they are compensated and approving the Annual External Audit Report to the Committee and Board of Directors.
- C. Reviewing and approving the Annual Compliance Plan policy and the Annual Audit and Compliance Work Plan as recommended by MSHA's Compliance Officer and Director of Audit and Compliance Services.
- D. Determining, through audit activities directed by MSHA's Compliance Officer, the adequacy of checks and controls throughout the Health System to avoid improprieties.
- E. Overseeing the Corporate Compliance Program for greater assurance that the Corporation complies with all laws and regulations applicable to its business operation.
- F. Reviewing external audit reports, internal audit reports, and compliance review reports and insuring that appropriate actions are taken.
- G. Appraising the effectiveness of the entire audit and compliance function and recommending any necessary actions to be taken.

SECTION 3.

The Committee has the authority to engage independent counsel and other advisors to assist the Committee in ensuring the integrity of the Corporation's financial reporting and external audit. The Assistant Vice President/Compliance Officer and the Director of Corporate Audit and Compliance Services shall report jointly to the Corporate Audit and Compliance Committee of the Board. Reports of internal audits and compliance reviews will be provided by both parties.

SECTION 4.

This Committee shall meet at least quarterly, but more often if necessary, on a date and time determined by the Chairman.

**ARTICLE XIII
THE MEDICAL STAFFS**

SECTION 1.

The Medical Staffs of Mountain States Health Alliance shall be responsible to the Board of Directors for the professional care of patients in the Hospitals and for forming and maintaining self-government. The Medical Staffs shall formulate their own sets of Bylaws and submit them to the Board of Directors. They will become effective upon Board approval. The Medical Staff Bylaws shall be consistent with hospital policy and any applicable legal requirement. Only a member of a Medical Staff with admitting privileges may admit a patient to a Mountain States Health Alliance hospital and may practice only within the scope of the privileges granted by the Board of Directors. Each patient's general medical condition shall be the responsibility of a qualified physician member of the Medical Staff of the hospital in which that patient is a patient.

SECTION 2.

Duties and responsibilities of the Medical Staffs consist of but are not limited to the following:

- A. No applicant shall be denied Medical Staff membership and/or clinical privileges on the basis of sex, race, creed, color, or national origin, or any other criterion lacking professional justification.
- B. The Medical Staff Bylaws will be reviewed and updated annually and will be submitted to the Board of Directors. Changes will become effective upon approval of the Board of Directors.
- C. The Medical Staffs will submit to the Board of Directors written reports and recommendations for appointment and/or reappointment of all members who wish to serve on the Medical Staffs of the various Mountain States Health Alliance hospitals. The written reports shall contain privileges recommended and qualifying data to support the recommendations of each appointment and reappointment.
- D. Appointments to the Medical Staffs shall be no longer than two years. The first six months of an initial appointment will be a provisional period. The applicant will be reviewed at the end of this period for full acceptance, extended provisional status or denial of privileges. The Board of Directors shall rely on the Medical Staffs' recommendation for appointment or reappointment of each physician, dentist, or other health professional applicant based on information concerning: the individual's current licensure; health status, professional performance, judgment, clinical and/or technical skills as indicated in part by the results of performance improvement activities; previously successful or currently pending challenges

to any licensure or registration or the voluntary relinquishment of such licensure or registration; voluntary or involuntary limitation, reduction or loss of clinical privileges at another hospital; and involvement in professional liability actions resulting in adverse judgment or settlement.

- E. In no case shall the Board of Directors take action on an appointment, refuse to renew an appointment or cancel an appointment previously made without consultations with the Credentials Committee and/or the Executive Committee of the Medical Staff of the appropriate Mountain States Health Alliance hospital.
- F. The Executive Committee of the Medical Staffs shall submit periodic reports on the quality and appropriateness of patient care and the clinical performance of individuals with clinical privileges. The Board of Directors will approve recommendations of the Medical Staff Executive Committee for specific programs and procedures for reviewing, evaluating, and maintaining the quality and appropriateness of patient care within the relevant hospital.
- G. When a practitioner receives notice of a recommendation of the Executive Committee or Credentials Committee that will adversely affect his/her appointment as a member of the Medical Staff or his/her exercise of clinical privileges, he/she shall be entitled to a due process hearing as may be allowed by the appropriate Medical Staff Bylaws. It is understood that when the applicant signs the application for appointment to the respective Medical Staffs, he/she agrees to:
 - (1) Abide by the Bylaws of the Board of Directors.
 - (2) Abide by the Bylaws, Rules and Regulations of the Medical Staff of the hospital at which he/she is applying for privileges.
 - (3) Give to the relevant hospital immunity from liability as covered under the Medical Staff Bylaws.
- H. The Board of Directors or its designee, the President/CEO, shall inform applicants of the disposition of their application for Medical Staff membership and/or clinical privileges within a reasonable period of time after their application has been submitted.
- I. A physician or dentist whose engagement by a Mountain States Health Alliance hospital requires membership on the Medical Staff and whose duties are medico-administrative in nature shall not have his/her medical staff privileges terminated without the same due process provisions as are provided for any other member of the Medical Staffs, unless otherwise stated by contract, or by the appropriate Medical Staff Bylaws.
- J. The Medical Staff Bylaws shall include a mechanism for review of any adverse decision when requested by the practitioner, unless otherwise set forth by the Medical Staff Bylaws.

- K. The Board of Directors shall adopt a Hearing and Appeal Procedures Plan which has been approved by the respective Medical Staffs and which is included in the Medical Staff Bylaws.
- L. When the Board of Directors does not concur with a particular Medical Staff's recommendation relative to clinical privileges, the practitioner shall be entitled to such due process rights as may be provided by the appropriate Medical Staff Bylaws.
- M. No physician or dentist shall be eligible for appointment or reappointment or continuation as a member of any Medical Staff without satisfactory evidence of current professional liability insurance coverage in an amount of not less than \$1,000,000.00 through an insurance company licensed or approved by the State of Tennessee. At all times the relevant hospital shall have on file a certificate of insurance that is currently in force and it shall be the physician's responsibility to keep the relevant hospital informed of any changes in such certificate."
- N. Each Medical Staff Executive Committee shall make recommendations on the following areas to the Board of Directors, through their respective Community Boards, for its approval:
 - (1) The structure of the respective Medical Staff;
 - (2) The mechanism used to review credentials and to delineate individual clinical privileges;
 - (3) Individual Medical Staff membership;
 - (4) Specific clinical privileges for each eligible individual;
 - (5) The organization of the performance improvement activities of the respective Medical Staff as well as the mechanism used to conduct, evaluate and revise such activities;
 - (6) The mechanism by which membership on the respective Medical Staff may be terminated; and
 - (7) The mechanism for fair-hearing procedures.

ARTICLE XIV
PERFORMANCE IMPROVEMENT PROGRAM

SECTION 1. Authority and Responsibility - Board of Directors

- A. The Board of Directors has ultimate responsibility for quality patient care and authority for maintaining a Performance Improvement and Risk Management program., The Board may delegate this responsibility to the President/CEO and the Community Boards, together with the authority for action under limitations described in this Article.

- B. The Board of Directors requires the medical staffs and staffs of the various departments/services of the hospitals to implement and report on the activities and mechanisms for monitoring and evaluating the quality of patient care, for identifying and resolving problems, and for identifying opportunities to improve patient care.
- C. The Board of Directors, through the President/CEO, shall fully support performance improvement activities and mechanisms. The Board through the President/CEO shall also provide for adequate resources and support systems for the performance improvement functions related to patient care and safety.
- D. The Board of Directors shall assess the effectiveness of the performance improvement program on an annual basis and shall re-endorse or revise the program as necessary. A record of this assessment shall be maintained and communicated to the President/CEO, and the Community Boards.
- E. The Board of Directors shall support and be committed to the Corporate Compliance Program implemented by this Corporation, and shall utilize their best efforts to ensure compliance within the Corporation and shall acknowledge their responsibility, as the body, for ensuring development and maintenance of the Corporate Compliance Program, through the President/CEO, Corporate Compliance Officer and the Corporation's administrative staff.

SECTION 2. Functions - The Medical Staff

- A. The Medical Staffs of the various hospitals, through their officers, departments, committees and individual members shall make a commitment to actively participate in the performance improvement program by developing indicators to be used for screening, evaluating and utilizing critical clinical judgement concerning identified problems or opportunities to improve care. Findings shall be reported to the Board through appropriate channels. Priority shall be given to those aspects of care which are high-volume, high-risk or problem-prone.
- B. Department Chairmen are responsible for assuring the implementation of a planned and systematic process for monitoring and evaluating the quality and appropriateness of the care and treatment of patients served by the departments and the clinical performance of all individuals with clinical privileges in those departments. When important problems in patient care and clinical performance or opportunities to improve care are identified, action shall be taken and the effectiveness of the action taken evaluated.
- C. The President of the respective Medical Staffs shall facilitate and coordinate medical staff involvement in the performance improvement program and shall serve as advisor

to the respective Community Board on performance improvement matters.

- D. The respective Community Boards may delegate oversight of the hospital-wide performance improvement program as it pertains to the Medical Staff to the Executive Committee of the Medical Staff.

SECTION 3. Functions - Administration

- A. The President/CEO is responsible for implementation of the performance improvement program as it concerns non-physician professionals and technical staffs and patient care units. This official shall actively support the performance improvement program by the provision of adequate resources.
- B. The President/CEO may delegate responsibility for assessing individual patient care related functions to the appropriate hospital department and service directors.
- C. The President/CEO shall delegate appropriate authority and responsibility to those responsible for hospital-wide performance improvement functions.
- D. The President/CEO, through the Administrative Staff, shall provide support for the establishment and maintenance of an operational linkage between the risk management functions related to the clinical aspects of patient care and safety and the performance improvement functions.
- E. The President/CEO shall assure himself that existing information from risk management activities that may be useful in identifying clinical problems and/or opportunities to improve the quality of patient care is accessible to the performance improvement functions.

ARTICLE XV
AUXILIARY ORGANIZATIONS

SECTION 1.

Approval of the Board of Directors is required prior to any auxiliary organization performing services for or within the Mountain States Health Alliance. Such proposals shall state the purpose, function, restrictive activities, organizational structure and any other condition as may be imposed by the Board and/or the President/CEO of the Corporation, or his/her designee. A major criteria in the approval of an auxiliary shall be the extent of its service and the potential effectiveness in serving the general welfare of patients and their families.

SECTION 2.

No individual shall be permitted to perform volunteer services for or within the Health System without being a member of a Board approved auxiliary.

SECTION 3.

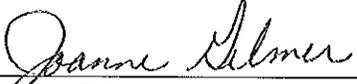
Bylaws of an approved auxiliary shall be approved by the Board of Directors and reviewed annually. At least annually, the Auxiliary shall report to the Board regarding volunteer activities.

**ARTICLE XVI
AMENDING THE BYLAWS**

These Bylaws may be altered, amended, or changed, or new, or additional Bylaws adopted by the affirmative vote of two-thirds (2/3) of the members of the Board of Directors present at any regular meeting at which a quorum is present or at any special meeting called for that purpose at which a quorum is present. As required by statute, the Bylaws may also be amended by the Corporation Membership at a regular or special meeting upon approval of two-thirds (2/3) of the votes cast, a quorum being present, or by a majority of the membership. In this event the amended Bylaws would be binding upon the Board of Directors. A review of the Bylaws shall be conducted annually to insure they are current and meet all accreditation standards and other requirements. This review shall be recorded in the minutes of the Board of Directors meeting.

Date of last review and approval by Board of Directors:

April 5, 2008



Joanne Gilmer
Chairperson



Dennis Vonderfecht
President and Chief
Executive Officer

BYLAWS

MOUNTAIN STATES HEALTH ALLIANCE

JOHNSON CITY, TENNESSEE

This is a nonprofit Corporation duly and properly incorporated by charter dated the 29th day of March, 1945 and recorded in the Office of the Secretary of State of the State of Tennessee in Miscellaneous Book A 2 on the 12th day of April, 1945, and amended as to name on the 22nd day of March, 1983, as recorded in the Office of the Secretary of State of the State of Tennessee on April 6, 1983. Further amendment as to name was recorded in the Office of the Secretary of State of the State of Tennessee on January 7, 1999. A complete amendment and restatement of the Corporate charter was accomplished and recorded in the Office of the Secretary of State of Tennessee on August 2, 2011.

ARTICLE I

PRINCIPAL OFFICE OF THE CORPORATION

The Principal Office of the Corporation shall be at 400 N. State of Franklin Road, Johnson City, Tennessee.

ARTICLE II

MEMBERSHIP OF THE CORPORATION

SECTION 1.

Membership in the Corporation shall be comprised of two classes: Class A and Class B. Class A membership in the Corporation shall consist of persons, firms or corporations; after making application and being accepted by the Board of Directors, contributing to the capital fund of Mountain States Health Alliance the sum of not less than five hundred dollars (\$500.00), and who maintain their membership through the making of an annual contribution to the Corporation in the amount of one hundred dollars (\$100). Additionally, all Class A members are obligated to, during each fiscal year of the Corporation, attend at least two (2) educational sessions offered by the Corporation. All members of the Corporation as of the 2nd day of August, 2011, shall automatically become Class A members, and shall be exempt from the financial provisions of this Section, but they shall be obligated to comply with the educational requirements. Class A members who fail to maintain the financial and educational requirements of Class A membership shall automatically become Class B members, in accordance with the provisions of the Amended and Restated Corporate Charter.

Class B membership in the Corporation shall consist of persons, firms or corporations, after making application and being accepted by the Board of Directors, contributing to the capital fund of Mountain States Health Alliance the sum of not less than one hundred dollars (\$100).

Should the total Class A membership, in any year, as of the date that is forty-five (45) days after the first meeting of the Board of Directors following the annual meeting of the members, fall below 150, then the Corporation shall cease to have Class A members, and all members shall thereafter be deemed Class B members, and the Corporation shall thereafter not have members for purposes of the Tennessee Non-Profit Corporation Act.

No person, firm or corporation employed by or having any interest in any hospital or health care institution competing with Mountain States Health Alliance, shall be eligible for membership. The Board of Directors shall have the right to refuse to grant membership in the Corporation for any other reason suitable to them, coupled with the right to refuse to accept any subscription or gift made or tendered upon condition that the subscribers or givers shall become members of the corporation.

SECTION 2.

Only Class A members of the Corporation shall have the power to vote on any corporate matter otherwise reserved to the "membership" as defined in Tennessee Statute. This means that for purposes of electing members of the Board of Directors, modifying the Corporate Charter, and other matters reserved to the "membership" by statute, only Class A members shall be entitled to vote. While Class B members do not have a right to vote, they do have a right to attend meetings of the membership, and to participate in the educational sessions offered by the Corporation. Voting rights of the membership shall be limited to persons named on the certificate for individual membership and those named by letter of designation from the institutional/business membership. Each individual or institution/business will be entitled to one membership certificate and one vote, either in person or by proxy.

SECTION 3.

The membership shall meet at least annually to elect new Board Members and to receive reports on the operation and financial status of the Corporation. Under the provisions of the Charter of the Mountain States Health Alliance, the Board of Directors shall be charged with the responsibility of carrying out all of the functions of the Corporation permitted by the Charter.

**ARTICLE III
MEETINGS OF THE MEMBERSHIP**

SECTION 1.

The annual meeting of the membership shall be held on the third Tuesday of June, at an hour and place determined by the Chairman, Board of Directors. Special meetings of the membership may be called by the Board of Directors, or by the Chairman, upon reasonable notice, but not less than fifteen days (15) prior to the meeting. A special meeting may also be requested if ten percent (10%) of the Class A membership so desires, by signed petition, to consider any matter that must be approved by the membership. Any such request shall specify the agenda to be discussed and the reasons therefore. Notices pertaining to the annual or special meetings shall be given by advertisement in a newspaper published in Johnson City or Washington County, Tennessee or by personal notice mailed to the members, one month preceding the annual meeting and at least fifteen days prior to special meetings.

SECTION 2.

At any meeting of this membership, annual or special, ten (10) percent of the Class A membership or not less than seventy five (75) in person, whichever is smaller, shall constitute a quorum for the transaction of business.

**ARTICLE IV
BOARD OF DIRECTORS**

SECTION 1.

The management of all affairs of the Corporation shall be vested in a Board of Directors consisting of not less than nine (9) and not more than fourteen (14) persons, including the President/CEO, designated and elected as follows:

- A. To be eligible to serve on the Board of Directors of Mountain States Health Alliance individuals must:
1. Possess one or more of the competencies established from time to time by the Board.
 2. Be a Class A Member of the Corporation so long as the Class A membership category still exists, otherwise a Class B Member; and
 3. Be elected by the Membership at an annual meeting of the Corporation, except as provided in SECTION 4 of this ARTICLE.

- B. In addition to the individuals referenced above, the President/Chief Executive Officer of the Corporation shall serve as an Ex-Officio member of the Board, with full privileges of a member of the Board, including the right to vote. The President/Chief Executive Officer shall retain this position on the Board for so long as he/she holds the position of President/Chief Executive Officer

Additionally, the Board composition shall consist of twenty percent (20%) to twenty-five percent (25%) physician membership. While serving as members of the Board of Directors, Board Members are excused from the financial and educational requirements of Class A membership.

SECTION 2.

Except for the Ex-Officio Member, Directors shall be elected for a term of three (3) years and shall hold office until their successors are elected. One third of the Directors, except the Ex-Officio Member, shall be elected each year for a three year term so that said terms are staggered. Any person who has served three consecutive terms (a partial term shall not be considered as a full term for the purpose of this SECTION) shall not be eligible to serve as a Director for a period of one year following the termination of his/her third successive term as a Director. A Director who serves as Chairman during the last year of his third consecutive term may remain as a Director for one additional year and then shall not be eligible to serve as a Director for a period of one year following the termination of his/her third successive term plus one year as past Chairman. At those times when the past Chairman remains on the Board, as herein provided for, the Board shall consist of not more than fifteen (15) persons. Newly elected Board Members shall take office at the first meeting of the Board following the annual meeting of the membership. Any directors elected to a term after January 1, 2000, shall be eligible to serve as fully as permitted hereunder, regardless of whether they have previously served a term(s) as a Director.

SECTION 3.

Directors, other than the Ex-Officio director, shall be elected by the Class A membership at the annual meeting by the procedures described below:

- A. A Governance and Nominating Committee comprised of no less than three (3) and no more than six (6) individuals shall be recommended to the Board by the Chairman of the Board. In recommending such individuals, the Chairman should attempt to select persons who are familiar with: the strategic directions of Mountain States Health Alliance; the communities throughout the region Mountain States Health Alliance serves; the healthcare environment in general; as well as the competencies which are needed on the Board. Upon receipt of the recommendations from the Chairman, the Board shall approve or disapprove each of the individuals recommended by the Chairman. The President/CEO of Mountain States Health

Alliance shall serve as an ex-officio, non-voting member of this Committee. Upon approval of the Governance and Nominating Committee by the Board, the Chairman of the Board shall appoint one (1) of these members as Chairperson of this committee. The appointed Chairperson of this committee, along with all members of the Governance and Nominating Committee, shall be made known to the membership.

The Governance and Nominating Committee shall nominate a slate of candidates from the membership, with one (1) candidate for each vacancy to be filled. Prior to ballots being distributed, the Governance and Nominating Committee shall present the slate of nominations to the Board of Directors for approval of each nominee by majority vote of the Directors. Ballots, provided by the Governance and Nominating Committee, shall then be sent to each voting membership not less than ten (10) days prior to the annual meeting of the membership. Ballots shall contain the names of the persons nominated and said ballots shall have blank lines under the names of those being nominated to enable the Class A voting membership the opportunity to write in the names of other persons for whom they desire to vote for as Director. The nominees (including write-ins) receiving the greatest number of votes shall be elected to the respective vacancies to be filled.

- B. Enclosed along with the ballots prepared by the Governance and Nominating Committee shall be a return envelope addressed to the Director of Corporate Audit and Compliance for Mountain States Health Alliance. The ballot shall be either mailed or returned in the enclosed envelope so that it reaches the Corporation by the date of the annual meeting of the membership, or the envelope may be brought by the Class A voting member to said annual meeting and deposited by the voter with the Director of Corporate Audit and Compliance. In order for the ballot to be considered eligible for tally, the name of the member voting shall appear on the back of the envelope containing the member's ballot. All ballots received prior to the start of the annual meeting shall be eligible for inclusion in the ballot tally.
- C. Before the start of the meeting on the date of the meeting, all ballots mailed to the Director of Corporate Audit and Compliance shall be tallied by him/her with such additional assistance as may be required. Results of the balloting will not be revealed until after ballots brought to the annual meeting have been tallied and added to the previous totals. A certification, signed by the Director of Corporate Audit and Compliance shall be given to the Chairman, Board of Directors, during the annual meeting, and said certification shall attest to the accuracy of the ballot count and the number of votes each nominee received.

SECTION 4.

Vacancies occurring on the Board of Directors by resignation, death or otherwise shall be filled as follows: The Governance and Nominating Committee shall submit the name of one individual for each vacancy for consideration and vote by the Board of Directors. Any such

vote shall be by majority vote of the remaining Directors at any regularly called or specially called meeting of said Directors. This process shall continue until the vacancy or vacancies have been filled. Any Director thus elected to fill any vacancy shall hold office for the unexpired term of his/her predecessor.

SECTION 5.

A quorum at all meetings of the Board of Directors shall consist of a majority of the whole Board. If there is less than a quorum at any meeting, the meeting may be adjourned and held on a subsequent date without the usual notice provided a quorum is present at such deferred meeting.

SECTION 6.

Committees of the Board of Directors shall be standing and, when so indicated, special committees maybe appointed.

- A. Standing committees shall be an Executive Committee; a Governance and Nominating Committee and a Corporate Audit and Compliance Committee. Special committees may be appointed by the Chairman of the Board for specific assignments and for a specified duration.
- B. All Committees of the Board of Directors, except the Executive Committee, shall be appointed by the Chairman within two (2) weeks after he/she is elected. However, these appointments shall be subject to confirmation or rejection by the Board of Directors at its first meeting following the Chairman's designation of Committee Membership.
- C. A quorum at any committee meeting shall consist of a majority of the entire membership of the committee.
- D. Standing committees shall have the power to act only as stated in these Bylaws or as conferred by the Board of Directors. Special committees shall perform only those duties as may be assigned by the Chairman or the Board of Directors. All committees shall have a chairman, who must be a member of the committee, and a secretary who need not be a member of the committee.

SECTION 7.

Directors shall not be paid a salary for their services. They may, however, be paid for actual expenses incurred when on authorized business of the Corporation.

SECTION 8.

Meetings of the Board of Directors shall be held not less than quarterly and on a day and specific time voted on by the Board of Directors. These meetings shall be held in the offices of the Corporation or at such other places as the Directors may, from time to time, designate. Special meetings of the Board may be called at any time by the Chairman or the Secretary or by one-third of the Directors, upon five (5) days personal or written notice being given to each Director.

SECTION 9.

It is expected that all Directors attend every meeting of the Board and every meeting of a Board committee of which he or she is a member. Absences may be excused for such reasons as illness, unavoidable absence from the city or unavoidable conflict for personal or business reasons. An excused absence will be recorded as such in the minutes of the meeting. It shall be the responsibility of each Board member to notify the Secretary of the Board in advance if he or she cannot attend a meeting and the reason(s) therefore. Secretaries of Board Committees shall likewise be notified in advance if a member cannot attend a meeting. Absences at Board and Committee Meetings shall be reviewed quarterly by the Chairman to determine whether absences, for whatever reason(s), warrants continuation on the Board. A Director who is absent from three consecutive Board meetings, or more than twenty five percent (25%) of the Board meetings in a calendar year, shall be removed from the Board, unless the Board determines, at its next meeting, in its discretion, that there are extenuating reasons for any such excessive absences. If it is determined that a Director shall be removed from the Board due to excessive absences, the Director shall be so notified by the Secretary of the Board.

SECTION 10.

Except for physicians employed by Mountain States Health Alliance or one of its subsidiaries, paid employees of Mountain States Health Alliance or any of its subsidiaries may not be elected to the Board of Directors. Notwithstanding this Section, however, the President/CEO may serve as a voting Ex Officio member of the Board of Directors as set forth in Section 1B of this Article IV.

SECTION 11.

Mountain States Health Alliance shall indemnify any individual made a party to a civil or criminal proceeding because the individual is or was a Director or Officer of Mountain States Health Alliance, against any liabilities and expenses incurred in the proceeding as allowed by T.C.A. Section 48-58-502 and T.C.A. Section 48-58-507. This indemnification may include Mountain States Health Alliance advancing reasonable expenses incurred by a Director or

Officer who is a party to such a proceeding as allowed by T.C.A. Section 48-58-504.

SECTION 12.

All members of the Board of Directors, Board Committees, Officers of this Corporation, and Key Management Personnel of this Corporation shall comply with the organization's "Conflict of Interest Policy", including the annual completion and submission of the "Acknowledgment Form" and "Disclosure Statement" that are a part of this Policy. In addition, all members of the Board of Directors shall complete and submit annually the "Board Members Confidentiality Agreement".

As used in the Policy and these Bylaws, the term "Conflict of Interest" is defined as being applicable as follows:

"Conflicting Interest" shall mean service as a member, shareholder, trustee, owner, partner, director, officer, or employee of any organization or governmental entity that either:

- (i) competes with this Corporation or any Affiliate, or
- (ii) is involved or is likely to become involved in any litigation or adversarial proceeding with this Corporation or any Affiliate or
- (iii) is seeking or soliciting funds or other substantial benefits from this Corporation.

"Financial Interest" shall mean any arrangement or transaction pursuant to which an Interested Person has, directly or indirectly, through business, investment or family, either:

- (i) a present or potential ownership, investment interest or compensation arrangement in any entity with which this Corporation or any Affiliate has or may have a transaction or arrangement; or
- (ii) a compensation arrangement with this Corporation or any entity or individual with which this Corporation or any Affiliate has or may have a transaction or arrangement.

ARTICLE V OFFICERS OF THE BOARD

The officers of the Corporation shall be a Chairman, a Vice Chairman, a Secretary, and a Treasurer. The Board of Directors shall elect these officers at the organizational meeting of the Board following the annual meeting of the membership of the Corporation. Officers shall take office on the first day of the month following their election and shall hold office for one year from and after their election or until their successors shall be elected and assume their duties.

**ARTICLE VI
DUTIES OF THE CHAIRMAN OF THE BOARD**

It shall be the duty of the Chairman to preside at all meetings of the Board of Directors; to sign all membership certificates; to execute all contracts that require the Chairman's signature in the name of the Corporation; and to perform all other duties usually associated with the office of Chairman of a Corporation. In addition, it is required that the Board of Directors evaluate its own performance. The leadership for this review of performance rests with the Chairman. A formalized mechanism shall be adopted to conduct a performance evaluation, including but not limited to attendance, participation, accomplishment of hospital goals, involvement in programs of continuing education in fields of health and management, and performance improvement mechanisms. Evaluations shall be documented, reviewed periodically with an objective of correcting weaknesses, and filed with official records of the Board. A Chairman may serve a maximum of two terms as Chairman, each term being one year in duration.

**ARTICLE VII
DUTIES OF THE VICE CHAIRMAN**

The duties of the Vice Chairman shall be to preside at the Board of Directors meeting in the absence of the Chairman and to perform such other duties and have such authority as may be fixed by the Board of Directors.

**ARTICLE VIII
DUTIES OF THE SECRETARY**

The Secretary shall attend all meetings of the Board of Directors and shall keep records of the meetings or cause the same to be done and have said records recorded as minutes of the Board, as well as attend to the giving and serving of all notices. The Secretary shall have charge of all records of the Corporation. In addition, the Secretary shall keep in safe custody the seal of the Corporation and when so affixed the Secretary shall attest the same by signature. The Secretary shall have the general duties, power, and responsibilities of the Secretary of a Corporation.

**ARTICLE IX
DUTIES OF THE TREASURER**

The Treasurer shall have responsibility for the safe keeping of funds and securities of the Corporation, shall keep or cause to be kept full and accurate accounts of receipts and disbursements and shall keep or cause to be kept all other accounting records of the Corporation. The Treasurer shall also receive and deposit, or cause the same to be done, all funds of the Corporation coming into his hands in such depository as may be so designated by the Board of Directors and withdraw the same only on checks of the Corporation signed by himself, or others as authorized by the Board of Directors.

**ARTICLE X
PRESIDENT AND CHIEF EXECUTIVE OFFICER**

SECTION 1.

The Board of Directors shall select and employ a competent and experienced President and CEO who shall report to and be its direct representative in the management of the health care system. This official shall be vested with the necessary authority and responsibility, in accordance with ~~board policies, goals and expressed directions, to: Conduct all financial and business affairs of~~ the Corporation; Maintain and improve quality in cooperation with the medical staffs of its facilities; Act as spokesperson for the Corporation; and Exercise other responsibilities necessary for effective operations.

SECTION 2.

The goals of the hospital are set forth in ARTICLE XX of these Bylaws. It shall be a major duty of the President to extend the goals to terms of measurable objectives or specific end results against which his performance can in part be evaluated by the Board of Directors on an annual basis or more often if indicated.

**ARTICLE XI
THE EXECUTIVE COMMITTEE**

SECTION 1.

The Executive Committee shall consist of the Chairman, Vice Chairman, Secretary, and Treasurer of the Board of Directors, and the immediate Past Chairman of the Board of Directors.

SECTION 2.

The Executive Committee shall have the power to transact all regular business of the Corporation during the interim between regular meetings of the Board of Directors, provided that any action taken shall not conflict with the policies and expressed wishes of the Board. All matters of major importance shall be referred to the entire Board of Directors unless the urgency of situation does not permit this delay.

SECTION 3.

The Executive Committee shall meet as necessary, but not less than annually, for the purposes

set forth in Section 4.1. The Chairman of the Board shall determine the date and time of meetings.

SECTION 4.

The Executive Committee is also charged with the responsibility for evaluation of the President/CEO and approval of executive compensation.. This committee shall establish a mechanism to quantitatively measure the President's performance of the responsibilities and goals. Participation by and discussion with the President shall be observed in the evaluation process. The Executive Committee will seek input from the entire Board on the President/CEO's performance evaluation and will report its recommendations for compensation.

SECTION 5.

The Executive Committee shall have such other authority, and carry out such other duties as detailed in the Executive Committee Charter which is approved and maintained from time to time by the Board of Directors.

**ARTICLE XII
THE CORPORATE AUDIT AND COMPLIANCE COMMITTEE**

SECTION 1.

This Committee shall consist of five (5) to seven (7) members appointed by the Chairman of the Board and confirmed by the Board of Directors. The Committee Chairman shall also be appointed by the Chairman of the Board of Directors. At least one (1) person on the Committee must have, through education or experience, an understanding of GAAP, financial statements and audit committee functions or experience with internal accounting controls and the preparation or auditing of financial statements. The President/CEO of the Corporation shall not serve as a member of this Committee, in order to ensure its objectivity.

SECTION 2.

The Committee has the authority to engage independent counsel and other advisors to assist the Committee in ensuring the integrity of the Corporation's financial reporting and external audit. The Vice President/Compliance Officer and the Director of Corporate Audit and Compliance Services shall report jointly to the Corporate Audit and Compliance Committee of the Board. Reports of internal audits and compliance reviews will be provided by both parties.

SECTION 3.

The Corporate Audit and Compliance Committee shall have such other authority, and carry out such other duties, as detailed in the Corporate Audit and Compliance Committee Charter which is approved and maintained from time to time by the Board of Directors.

SECTION 4.

This Committee shall meet at least quarterly, but more often if necessary, on a date and time determined by the Chairman.

**ARTICLE XIII
THE GOVERNANCE AND NOMINATING COMMITTEE**

SECTION 1.

This Committee shall consist of no less than three (3) nor more than (6) members, as recommended by the Chairman of the Board of Directors, and as approved by the Board of Directors.

SECTION 2.

The Committee shall be generally responsible for reviewing, and making recommendations for, the governance structure of Mountain States Health Alliance, as well as nominating individuals to serve as members of the Board of Directors.

SECTION 3.

The Committee shall meet whenever necessary, but at least annually.

SECTION 4.

The Governance and Nominating Committee shall have such other authority, and carry out such other duties, as detailed in the Governance and Nominating Committee Charter which is approved and maintained from time to time by the Board of Directors.

ARTICLE XIV
THE MEDICAL STAFFS

SECTION 1.

The Medical Staffs of Mountain States Health Alliance shall be responsible to the Board of Directors for the professional care of patients in the Hospitals and for forming and maintaining self-government. The Medical Staffs shall formulate their own sets of Bylaws and submit them to the Board of Directors. They will become effective upon Board approval. The Medical Staff Bylaws shall be consistent with hospital policy and any applicable legal requirement. Only a member of a Medical Staff with admitting privileges may admit a patient to a Mountain States Health Alliance hospital and may practice only within the scope of the privileges granted by the Board of Directors. Each patient's general medical condition shall be the responsibility of a qualified physician member of the Medical Staff of the hospital in which that patient is a patient.

SECTION 2.

Duties and responsibilities of the Medical Staffs consist of but are not limited to the following:

- A. No applicant shall be denied Medical Staff membership and/or clinical privileges on the basis of sex, race, creed, color, or national origin, or any other criterion lacking professional justification.
- B. The Medical Staff Bylaws will be reviewed and updated annually and will be submitted to the Board of Directors. Changes will become effective upon approval of the Board of Directors.
- C. The Medical Staffs will submit to the Board of Directors written reports and recommendations for appointment and/or reappointment of all members who wish to serve on the Medical Staffs of the various Mountain States Health Alliance hospitals. The written reports shall contain privileges recommended and qualifying data to support the recommendations of each appointment and reappointment.
- D. Appointments to the Medical Staffs shall be no longer than two years. The first six months of an initial appointment will be a provisional period. The applicant will be reviewed at the end of this period for full acceptance, extended provisional status or denial of privileges. The Board of Directors shall rely on the Medical Staffs' recommendation for appointment or reappointment of each physician, dentist, or other health professional applicant based on information concerning: the individual's current licensure; health status, professional performance, judgment, clinical and/or technical skills as indicated in part by the results of performance improvement activities; previously successful or currently pending challenges to any licensure or registration or the voluntary relinquishment of such licensure or

registration; voluntary or involuntary limitation, reduction or loss of clinical privileges at another hospital; and involvement in professional liability actions resulting in adverse judgment or settlement.

- E. In no case shall the Board of Directors take action on an appointment, refuse to renew an appointment or cancel an appointment previously made without consultations with the Credentials Committee and/or the Executive Committee of the Medical Staff of the appropriate Mountain States Health Alliance hospital.
- F. The Executive Committee of the Medical Staffs shall submit periodic reports on the quality and appropriateness of patient care and the clinical performance of individuals with clinical privileges. The Board of Directors will approve recommendations of the Medical Staff Executive Committee for specific programs and procedures for reviewing, evaluating, and maintaining the quality and appropriateness of patient care within the relevant hospital.
- G. When a practitioner receives notice of a recommendation of the Executive Committee or Credentials Committee that will adversely affect his/her appointment as a member of the Medical Staff or his/her exercise of clinical privileges, he/she shall be entitled to a due process hearing as may be allowed by the appropriate Medical Staff Bylaws. It is understood that when the applicant signs the application for appointment to the respective Medical Staffs, he/she agrees to:
 - (1) Abide by the Bylaws of the Board of Directors.
 - (2) Abide by the Bylaws, Rules and Regulations of the Medical Staff of the hospital at which he/she is applying for privileges.
 - (3) Give to the relevant hospital immunity from liability as covered under the Medical Staff Bylaws.
- H. The Board of Directors or its designee, the President/CEO, shall inform applicants of the disposition of their application for Medical Staff membership and/or clinical privileges within a reasonable period of time after their application has been submitted.
- I. A physician or dentist whose engagement by a Mountain States Health Alliance hospital requires membership on the Medical Staff and whose duties are medico-administrative in nature shall not have his/her medical staff privileges terminated without the same due process provisions as are provided for any other member of the Medical Staffs, unless otherwise stated by contract, or by the appropriate Medical Staff Bylaws.
- J. The Medical Staff Bylaws shall include a mechanism for review of any adverse decision when requested by the practitioner, unless otherwise set forth by the Medical Staff Bylaws.
- K. The Board of Directors shall adopt a Hearing and Appeal Procedures Plan which has been

approved by the respective Medical Staffs and which is included in the Medical Staff Bylaws.

- L. When the Board of Directors does not concur with a particular Medical Staff's recommendation relative to clinical privileges, the practitioner shall be entitled to such due process rights as may be provided by the appropriate Medical Staff Bylaws.
- M. No physician or dentist shall be eligible for appointment or reappointment or continuation as a member of any Medical Staff without satisfactory evidence of current professional liability insurance coverage in an amount of not less than \$1,000,000.00 through an insurance company licensed or approved by the State of Tennessee. At all times the relevant hospital shall have on file a certificate of insurance that is currently in force and it shall be the physician's responsibility to keep the relevant hospital informed of any changes in such certificate."
- N. Each Medical Staff Executive Committee shall make recommendations on the following areas to the Board of Directors, through their respective Community Boards, for its approval:
 - (1) The structure of the respective Medical Staff;
 - (2) The mechanism used to review credentials and to delineate individual clinical privileges;
 - (3) Individual Medical Staff membership;
 - (4) Specific clinical privileges for each eligible individual;
 - (5) The organization of the performance improvement activities of the respective Medical Staff as well as the mechanism used to conduct, evaluate and revise such activities;
 - (6) The mechanism by which membership on the respective Medical Staff may be terminated; and
 - (7) The mechanism for fair-hearing procedures.

ARTICLE XV PERFORMANCE IMPROVEMENT PROGRAM

SECTION 1. Authority and Responsibility - Board of Directors

- A. The Board of Directors has ultimate responsibility for quality patient care and authority for maintaining a Performance Improvement and Risk Management program. The Board may delegate this responsibility to the President/CEO and the Community Boards, together with the authority for action under limitations described in this Article.

- B. The Board of Directors requires the medical staffs and staffs of the various departments/services of the hospitals to implement and report on the activities and mechanisms for monitoring and evaluating the quality of patient care, for identifying and resolving problems, and for identifying opportunities to improve patient care.
- C. The Board of Directors, through the President/CEO, shall fully support performance improvement activities and mechanisms. The Board through the President/CEO shall also provide for adequate resources and support systems for the performance improvement functions related to patient care and safety.
- ~~D. The Board of Directors shall assess the effectiveness of the performance improvement program on an annual basis and shall re-endorse or revise the program as necessary. A record of this assessment shall be maintained and communicated to the President/CEO, and the Community Boards.~~
- E. The Board of Directors shall support and be committed to the Corporate Compliance Program implemented by this Corporation, and shall utilize their best efforts to ensure compliance within the Corporation and shall acknowledge their responsibility, as the body, for ensuring development and maintenance of the Corporate Compliance Program, through the President/CEO, Corporate Compliance Officer and the Corporation's administrative staff.

SECTION 2. Functions - The Medical Staff

- A. The Medical Staffs of the various hospitals, through their officers, departments, committees and individual members shall make a commitment to actively participate in the performance improvement program by developing indicators to be used for screening, evaluating and utilizing critical clinical judgement concerning identified problems or opportunities to improve care. Findings shall be reported to the Board through appropriate channels. Priority shall be given to those aspects of care which are high-volume, high-risk or problem-prone.
- B. Department Chairmen are responsible for assuring the implementation of a planned and systematic process for monitoring and evaluating the quality and appropriateness of the care and treatment of patients served by the departments and the clinical performance of all individuals with clinical privileges in those departments. When important problems in patient care and clinical performance or opportunities to improve care are identified, action shall be taken and the effectiveness of the action taken evaluated.
- C. The President of the respective Medical Staffs shall facilitate and coordinate medical staff involvement in the performance improvement program and shall serve as advisor to the respective Community Board on performance improvement matters.

- D. The respective Community Boards may delegate oversight of the hospital-wide performance improvement program as it pertains to the Medical Staff to the Executive Committee of the Medical Staff.

SECTION 3. Functions - Administration

- A. The President/CEO is responsible for implementation of the performance improvement program as it concerns non-physician professionals and technical staffs and patient care units. This official shall actively support the performance improvement program by the provision of adequate resources.
-
- B. The President/CEO may delegate responsibility for assessing individual patient care related functions to the appropriate hospital department and service directors.
- C. The President/CEO shall delegate appropriate authority and responsibility to those responsible for hospital-wide performance improvement functions.
- D. The President/CEO, through the Administrative Staff, shall provide support for the establishment and maintenance of an operational linkage between the risk management functions related to the clinical aspects of patient care and safety and the performance improvement functions.
- E. The President/CEO shall assure himself that existing information from risk management activities that may be useful in identifying clinical problems and/or opportunities to improve the quality of patient care is accessible to the performance improvement functions.

**ARTICLE XVI
AUXILIARY ORGANIZATIONS**

SECTION 1.

Approval of the Board of Directors is required prior to any auxiliary organization performing services for or within the Mountain States Health Alliance. Such proposals shall state the purpose, function, restrictive activities, organizational structure and any other condition as may be imposed by the Board and/or the President/CEO of the Corporation, or his/her designee. A major criteria in the approval of an auxiliary shall be the extent of its service and the potential effectiveness in serving the general welfare of patients and their families.

SECTION 2.

No individual shall be permitted to perform volunteer services for or within the Health System without being a member of a Board approved auxiliary.

SECTION 3.

Bylaws of an approved auxiliary shall be approved by the Board of Directors and reviewed annually. At least annually, the Auxiliary shall report to the Board regarding volunteer activities.

**ARTICLE XVII
AMENDING THE BYLAWS**

These Bylaws may be altered, amended, or changed, or new, or additional Bylaws adopted by the affirmative vote of two-thirds (2/3) of the members of the Board of Directors present at any regular meeting at which a quorum is present or at any special meeting called for that purpose at which a quorum is present. As required by statute, the Bylaws may also be amended by the Class A members of the Corporation Membership at a regular or special meeting upon approval of two-thirds (2/3) of the votes cast, a quorum being present, or by a majority of the Class A membership. In this event the amended Bylaws would be binding upon the Board of Directors. A review of the Bylaws shall be conducted annually to insure they are current and meet all accreditation standards and other requirements. This review shall be recorded in the minutes of the Board of Directors meeting.

Date of last review and approval by Board of Directors:

February 3, 2012



Bob Feathers
Chairperson



Dennis Vonderfecht
President and Chief
Executive Officer

AMENDED AND RESTATED BYLAWS
MOUNTAIN STATES HEALTH ALLIANCE
JOHNSON CITY, TENNESSEE

Adopted April 5, 2013

AMENDED AND RESTATED BYLAWS
MOUNTAIN STATES HEALTH ALLIANCE
JOHNSON CITY, TENNESSEE

This is a nonprofit Corporation duly and properly incorporated by charter dated the 29th day of March, 1945 and recorded in the Office of the Secretary of State of the State of Tennessee in Miscellaneous Book A 2 on the 12th day of April, 1945, and amended as to name on the 22nd day of March, 1983, as recorded in the Office of the Secretary of State of the State of Tennessee on April 6, 1983. Further amendment as to name was recorded in the Office of the Secretary of State of the State of Tennessee on January 7, 1999. A complete amendment and restatement of the Corporate charter was accomplished and recorded in the Office of the Secretary of State of Tennessee on August 2, 2011 (the "Previous Amended and Restated Charter"). A second amendment and restatement was accomplished and recorded in the Office of the Secretary of State of Tennessee on April 29, 2013 (the "Second Amended and Restated Charter").

ARTICLE I - PRINCIPAL OFFICE OF THE CORPORATION

The Principal Office of the Corporation shall be at 400 N. State of Franklin Road, Johnson City, Tennessee.

ARTICLE II - NO MEMBERS

SECTION 1. The Corporation shall have no members for purposes of and/or as contemplated by the Tennessee Nonprofit Corporation Act, as may be hereafter amended, superseded or replaced (the "Act").

SECTION 2. The Corporation shall have a class of persons who shall be known as MSHA Advocates. Persons shall become MSHA Advocates and shall cease to be MSHA Advocates in accordance with the provisions of the Second Amended and Restated Charter and these Bylaws. MSHA Advocates shall not be members for purposes of the Act, shall have no voting rights as to the election of directors of the Corporation, and shall have no other voting rights as to any other matters relating to the Corporation or any other rights provided to members under the Act, but shall have the right to notice of the meetings, if any, of the MSHA Advocates of the Corporation called by the Corporation, the right to attend such meetings of the MSHA Advocates of the Corporation and reasonable opportunity to be heard at such meetings of the MSHA Advocates of the Corporation, and shall have such other rights, and only such other rights, as are specifically provided to the MSHA Advocates under the Second Amended and Restated Charter or these Bylaws.

SECTION 3. Each person who, under the Previous Amended and Restated Charter, was a Class B Member as of August 20, 2012 or who was admitted as a Class B Members after such

date and before the date of the filing of the Second Amended and Restated Charter (all of whom, as provided in the Previous Amended and Restated Charter were not members for purposes of the Act), including all former Class A Members (all of whom, pursuant to the Previous Amended and Restated Charter, became Class B Members as of August 20, 2012 or before), automatically became a MSHA Advocate as of the date of the filing of the Second Amended and Restated Charter without the need to submit an application or make any additional contribution to the Corporation as contemplated by SECTION 4 below and ceased to be a Class B Member.

SECTION 4. Additional persons may become MSHA Advocates of the Corporation. In order to become a MSHA Advocate, (i) a person must complete and submit to the Corporation an application to become a MSHA Advocate in a form approved by the Board of Directors of the Corporation; (ii) such application must be accepted by the Board of Directors in its sole discretion in accordance with SECTION 5 below; and (iii) within thirty (30) days after the acceptance of such application, such person must make a contribution to the Corporation in the sum of \$100 or more. MSHA Advocates must provide the Corporation with notice of any change in their address and if at any time any properly addressed mail sent by the Corporation to any MSHA Advocate is returned to the Corporation undelivered, then such person shall no longer be a MSHA Advocate.

SECTION 5. The Board of Directors shall consider MSHA Advocate applications once each year at the first meeting of the Board of Directors of the year; provided that the Board of Directors, in its discretion, may determine to consider applications more than once a year and/or at such other time or times as the Board may decide. Applications may be accepted or rejected by the Board of Directors in its sole discretion for any or no reason. If any application is rejected, any contribution by the applicant submitted with such application shall be returned to such applicant.

ARTICLE III - MEETINGS OF THE MSHA ADVOCATES

SECTION 1. The Corporation may, but shall not be required to, from time to time, call meetings of the MSHA Advocates in its discretion and in accordance with these Bylaws to provide information to the MSHA Advocates about the Corporation's operations and plans or other information about the Corporation or for other purposes as may be determined by the Board of Directors of the Corporation in the Board's sole discretion. Notice of any such meeting may be given by the Corporation in any manner deemed reasonable by the Board of Directors or the President/CEO. Without limitation, any one or more of the following methods of giving notice shall be a reasonable method of giving such notice: by publication in a local newspaper or other publication of general circulation in the area, by announcement on area radio or television, by mail, by email, or by any other electronic means.

SECTION 2. As the meetings of the MSHA Advocates, if any, shall be informational only and shall not involve any vote, no specific number of MSHA Advocates shall be required to constitute a quorum at any such meeting.

ARTICLE IV - BOARD OF DIRECTORS

SECTION 1. The management of all affairs of the Corporation shall be vested in a Board of Directors consisting of not less than nine (9) and not more than fourteen (14) persons, including the President/CEO, designated and elected as follows:

- A. To be eligible to serve on the Board of Directors of Mountain States Health Alliance, individuals must:
 - 1. Possess one or more of the competencies established from time to time by the Board; and
 - 2. Be elected by the Board of Directors at a meeting of the Board, except as provided in SECTION 4 of this ARTICLE.

- B. In addition to the individuals referenced above, the President/CEO of the Corporation shall serve as an Ex-Officio member of the Board, with full privileges of a member of the Board, including the right to vote. The President/CEO shall retain this position on the Board for so long as he/she holds the position of President/CEO.

Additionally, the Board composition shall consist of twenty percent (20%) to twenty-five percent (25%) physician membership.

SECTION 2. Except for the Ex-Officio Member, Directors shall be elected for a term of three (3) years and shall hold office until their successors are elected. One third of the Directors, except the Ex-Officio Member, shall be elected each year for a three year term so that said terms are staggered. Any person who has served three consecutive terms (a partial term shall not be considered as a full term for the purpose of this SECTION 2) shall not be eligible to serve as a Director for a period of one year following the termination of his/her third successive term as a Director. A Director who serves as Chairman during the last year of his third consecutive term may remain as a Director for one additional year and then shall not be eligible to serve as a Director for a period of one year following the termination of his/her third successive term plus one year as past Chairman. At those times when the past Chairman remains on the Board, as herein provided for, the Board shall consist of not more than fifteen (15) persons. Newly elected Board Members shall take office at the first meeting of the Board following their election. Any directors elected to a term after January 1, 2000, shall be eligible to serve as fully as permitted hereunder, regardless of whether they have previously served a term(s) as a Director. Directors in office as of August 20, 2012, shall continue in office through the remainder of their respective terms and may be re-elected in accordance with the procedures described in these Bylaws.

SECTION 3. Directors, other than the Ex-Officio director, shall be elected by the Board of Directors at the last meeting of the Board of Directors each fiscal year by the procedures described below:

- A. A Governance Committee comprised of no less than three (3) and no more than six (6) individuals shall be recommended to the Board by the Chairman of the Board. In recommending such individuals, the Chairman should attempt to select persons who

are familiar with: the strategic directions of Mountain States Health Alliance; the communities throughout the region Mountain States Health Alliance serves; the healthcare environment in general; as well as the competencies which are needed on the Board. Upon receipt of the recommendations from the Chairman, the Board shall approve or disapprove each of the individuals recommended by the Chairman. The President/CEO of the Corporation shall serve as an ex-officio, non-voting member of this Committee. Upon approval of the Governance Committee by the Board, the Chairman of the Board shall appoint one (1) of these members as Chairperson of this committee. The appointed Chairperson of this committee, along with all members of the Governance Committee, shall be made known to all the Directors.

- B. The Governance Committee shall nominate a slate of candidates, with one (1) candidate for each vacancy to be filled. The Governance Committee shall present the slate of nominations to the Board of Directors and the Board of Directors shall vote on each nominee. In order to be elected, a nominee must receive the affirmative vote of a majority of the Directors. If the nominee for any vacancy does not receive the required vote of the Directors to be elected, any Director may propose an additional nominee for consideration of the Board of Directors until a nominee for each vacancy to be filled is elected.

SECTION 4. Vacancies occurring on the Board of Directors by resignation, death or otherwise (other than normal expiration of term) shall be filled as follows: The Governance Committee shall submit the name of one individual for each vacancy for consideration and vote by the Board of Directors. In order to be elected to fill the vacancy, the nominee must receive the affirmative vote of a majority of the remaining Directors at any regularly called or specially called meeting of said Directors. This process shall continue until the vacancy or vacancies have been filled. Any Director thus elected to fill any vacancy shall hold office for the unexpired term of his/her predecessor.

SECTION 5. A quorum at all meetings of the Board of Directors shall consist of a majority of the whole Board. If there is less than a quorum at any meeting, the meeting may be adjourned and held on a subsequent date without the usual notice provided a quorum is present at such deferred meeting.

SECTION 6. Committees of the Board of Directors shall be standing and, when so indicated, special committees may be appointed.

- A. Standing committees shall be an Executive Committee, a Governance Committee, and a Corporate Audit and Compliance Committee. Special committees may be appointed by the Chairman of the Board for specific assignments and for a specified duration.
- B. All Committees of the Board of Directors, except the Executive Committee, shall be recommended by the Chairman within two (2) weeks after the Chairman is elected. However, these recommendations shall be subject to confirmation or rejection by the Board of Directors at its first meeting following the Chairman's recommendations of committee membership.

- C. A quorum at any committee meeting shall consist of a majority of the entire membership of the committee.
- D. Standing committees shall have the power to act only as stated in these Bylaws or as conferred by the Board of Directors. Special committees shall perform only those duties as may be assigned by the Chairman or the Board of Directors. All committees shall have a chairman, who must be a member of the committee, and a secretary who need not be a member of the committee.

SECTION 7. Directors shall not be paid a salary for their services. They may, however, be paid for actual expenses incurred when on authorized business of the Corporation.

SECTION 8. Meetings of the Board of Directors shall be held not less than quarterly and on a day and specific time voted on by the Board of Directors. These meetings shall be held in the offices of the Corporation or at such other places as the Directors may, from time to time, designate. Special meetings of the Board may be called at any time by the Chairman or the Secretary or by one-third of the Directors, upon five (5) days personal or written notice being given to each Director.

SECTION 9. It is expected that all Directors attend every meeting of the Board and every meeting of a Board committee of which he or she is a member. Absences may be excused for such reasons as illness, unavoidable absence from the city or unavoidable conflict for personal or business reasons. An excused absence will be recorded as such in the minutes of the meeting. It shall be the responsibility of each Board member to notify the Secretary of the Board in advance if he or she cannot attend a meeting and the reason(s) therefore. Secretaries of Board Committees shall likewise be notified in advance if a member cannot attend a meeting. Absences at Board and Committee Meetings shall be reviewed quarterly by the Chairman to determine whether absences, for whatever reason(s), warrants continuation on the Board. A Director who is absent from three consecutive Board meetings, or more than twenty five percent (25%) of the Board meetings in a calendar year, shall be removed from the Board, unless the Board determines, at its next meeting, in its discretion, that there are extenuating reasons for any such excessive absences. If it is determined that a Director shall be removed from the Board due to excessive absences, the Director shall be so notified by the Secretary of the Board.

SECTION 10. Except for physicians employed by Mountain States Health Alliance or one of its subsidiaries, paid employees of Mountain States Health Alliance or any of its subsidiaries may not be elected to the Board of Directors. Notwithstanding this SECTION, however, the President/CEO may serve as a voting Ex Officio member of the Board of Directors as set forth in SECTION 1B of this ARTICLE IV.

SECTION 11. Mountain States Health Alliance shall indemnify any individual made a party to a civil or criminal proceeding because the individual is or was a Director or Officer of Mountain States Health Alliance, against any liabilities and expenses incurred in the proceeding as allowed by T.C.A. Section 48-58-502 and T.C.A. Section 48-58-507. This indemnification may include Mountain States Health Alliance advancing reasonable expenses incurred by a Director or Officer who is a party to such a proceeding as allowed by T.C.A. Section 48-58-504.

SECTION 12. All members of the Board of Directors, Board Committees, Officers of this Corporation, and Key Management Personnel of this Corporation shall comply with the organization's "Conflict of Interest Policy", including the annual completion and submission of the "Acknowledgment Form" and "Disclosure Statement" that are a part of this Policy. In addition, all members of the Board of Directors shall complete and submit annually the "Board Members Confidentiality Agreement".

As used in the Policy and these Bylaws, the term "Conflict of Interest" is defined as being applicable as follows:

"Conflicting Interest" shall mean service as a member, shareholder, trustee, owner, partner, director, officer, or employee of any organization or governmental entity that either:

- (i) competes with this Corporation or any Affiliate, or
- (ii) is involved or is likely to become involved in any litigation or adversarial proceeding with this Corporation or any Affiliate; or
- (iii) is seeking or soliciting funds or other substantial benefits from this Corporation.

"Financial Interest" shall mean any arrangement or transaction pursuant to which an Interested Person has, directly or indirectly, through business, investment or family, either:

- (i) a present or potential ownership, investment interest or compensation arrangement in any entity with which this Corporation or any Affiliate has or may have a transaction or arrangement; or
- (ii) a compensation arrangement with this Corporation or any entity or individual with which this Corporation or any Affiliate has or may have a transaction or arrangement.

ARTICLE V - OFFICERS

The officers of the Corporation shall be a Chairman, a Vice Chairman, a President and CEO, a Secretary, and a Treasurer. The Board of Directors shall elect these officers at the first meeting of the Board of Directors each year. Officers shall take office on the first day of the month following their election and shall hold office for one year from and after their election or until their successors shall be elected and assume their duties.

ARTICLE VI - DUTIES OF THE CHAIRMAN OF THE BOARD

It shall be the duty of the Chairman to preside at all meetings of the Board of Directors; to execute all contracts that require the Chairman's signature in the name of the Corporation; and to perform all other duties usually associated with the office of Chairman of a Corporation. In addition, it is required that the Board of Directors evaluate its own performance. The leadership for this review of performance rests with the Chairman. A formalized mechanism shall be adopted to conduct a performance evaluation, including but not limited to attendance, participation, accomplishment of hospital goals, involvement in programs of continuing education in fields of health and management, and performance improvement mechanisms. Evaluations shall be documented, reviewed periodically with an objective of correcting weaknesses, and filed with official records of the Board. A Chairman may serve a maximum of two terms as Chairman, each term being one year in duration.

ARTICLE VII - DUTIES OF THE VICE CHAIRMAN

The duties of the Vice Chairman shall be to preside at the Board of Directors meeting in the absence of the Chairman and to perform such other duties and have such authority as may be fixed by the Board of Directors.

ARTICLE VIII - DUTIES OF THE SECRETARY

The Secretary shall attend all meetings of the Board of Directors and shall keep records of the meetings or cause the same to be done and have said records recorded as minutes of the Board, as well as attend to the giving and serving of all notices. The Secretary shall have charge of all records of the Corporation. In addition, the Secretary shall keep in safe custody the seal of the Corporation and when so affixed the Secretary shall attest the same by signature. The Secretary shall have the general duties, power, and responsibilities of the Secretary of a Corporation.

ARTICLE IX - DUTIES OF THE TREASURER

The Treasurer shall have responsibility for the safe keeping of funds and securities of the Corporation, shall keep or cause to be kept full and accurate accounts of receipts and disbursements and shall keep or cause to be kept all other accounting records of the Corporation. The Treasurer shall also receive and deposit, or cause the same to be done, all funds of the Corporation coming into his hands in such depository as may be so designated by the Board of Directors and withdraw the same only on checks of the Corporation signed by himself, or others as authorized by the Board of Directors.

ARTICLE X - PRESIDENT AND CHIEF EXECUTIVE OFFICER

The Board of Directors shall also select and employ a competent and experienced President and CEO who shall report to and be its direct representative in the management of the health care system. This official shall be vested with the necessary authority and responsibility, in accordance with board policies, goals and expressed directions, to: Conduct all financial and business affairs of the Corporation; Maintain and improve quality in cooperation with the medical staffs of its facilities; Act as spokesperson for the Corporation; and Exercise other responsibilities necessary for effective operations.

ARTICLE XI - THE EXECUTIVE COMMITTEE

SECTION 1. The Executive Committee shall consist of the Chairman, Vice Chairman, Secretary, and Treasurer of the Board of Directors, and the immediate Past Chairman of the Board of Directors.

SECTION 2. Subject to any limits set forth in the Act, the Executive Committee shall have the power to transact all regular business of the Corporation during the interim between regular meetings of the Board of Directors, provided that any action taken shall not conflict with the policies and expressed wishes of the Board. All matters of major importance shall be referred to the entire Board of Directors unless the urgency of situation does not permit this delay.

SECTION 3. The Executive Committee shall meet as necessary, but not less than annually, for the purposes set forth in SECTION 4. The Chairman of the Board shall determine the date and time of meetings.

SECTION 4. The Executive Committee is also charged with the responsibility for evaluation of the President/CEO and approval of executive compensation.. This committee shall establish a mechanism to quantitatively measure the President's performance of the responsibilities and goals. Participation by and discussion with the President shall be observed in the evaluation process. The Executive Committee will seek input from the entire Board on the President/CEO's performance evaluation and will report its recommendations for compensation.

SECTION 5. The Executive Committee shall have such other authority, and carry out such other duties as detailed in the Executive Committee Charter which is approved and maintained from time to time by the Board of Directors.

ARTICLE XII - THE CORPORATE AUDIT AND COMPLIANCE COMMITTEE

SECTION I. This Committee shall consist of five (5) to seven (7) members appointed by the Chairman of the Board and confirmed by the Board of Directors. The Committee Chairman shall also be appointed by the Chairman of the Board of Directors. At least one (1) person on the Committee must have, through education or experience, an understanding of GAAP, financial statements and audit committee functions or experience with internal accounting controls and the preparation or auditing of financial statements. The President/CEO of the Corporation shall not serve as a member of this Committee, in order to ensure its objectivity.

SECTION 2. The Committee has the authority to engage independent counsel and other advisors to assist the Committee in ensuring the integrity of the Corporation's financial reporting and external audit. The Vice President/Compliance Officer and the Director of Corporate Audit and Compliance Services shall report jointly to the Corporate Audit and Compliance Committee of the Board. Reports of internal audits and compliance reviews will be provided by both parties.

SECTION 3. The Corporate Audit and Compliance Committee shall have such other authority, and carry out such other duties, as detailed in the Corporate Audit and Compliance Committee Charter which is approved and maintained from time to time by the Board of Directors.

SECTION 4. This Committee shall meet at least quarterly, but more often if necessary, on a date and time determined by the Chairman.

ARTICLE XIII -THE GOVERNANCE COMMITTEE

SECTION 1. This Committee shall consist of no less than three (3) nor more than (6) members, as recommended by the Chairman of the Board of Directors, and as approved by the Board of Directors.

SECTION 2. The Committee shall be generally responsible for reviewing, and making recommendations for, the governance structure of Mountain States Health Alliance, as well as nominating individuals to serve as members of the Board of Directors.

SECTION 3. The Committee shall meet whenever necessary, but at least annually.

SECTION 4. The Governance Committee shall have such other authority, and carry out such other duties, as detailed in the Governance Committee Charter which is approved and maintained from time to time by the Board of Directors.

ARTICLE XIV - THE MEDICAL STAFFS

SECTION 1. The Medical Staffs of Mountain States Health Alliance shall be responsible to the Board of Directors for the professional care of patients in the Hospitals and for forming and maintaining self-government. The Medical Staffs and the Board of Directors shall work collaboratively to formulate Medical Staff Bylaws for the governance of the Medical Staffs at each Mountain States Health Alliance hospital, and they will become effective upon formal Board approval. The Medical Staff Bylaws shall be consistent with hospital policy and any applicable legal requirement. Only a member of a Medical Staff with admitting privileges may admit a patient to a Mountain States Health Alliance hospital and may practice only within the scope of the privileges granted by the Board of Directors. Each patient's general medical condition shall be the responsibility of a qualified physician member of the Medical Staff of the hospital in which that patient is a patient.

SECTION 2. Duties and responsibilities of the Medical Staffs consist of but are not limited to the following:

- A. No applicant shall be denied Medical Staff membership and/or clinical privileges on the basis of sex, race, creed, color, or national origin, or any other criterion lacking professional justification.
- B. The Medical Staff Bylaws will be reviewed and updated annually and will be submitted to the Board of Directors. Changes will become effective upon approval of the Board of Directors.
- C. The Medical Staffs will submit to the Board of Directors written reports and recommendations for appointment and/or reappointment of all members who wish to serve on the Medical Staffs of the various Mountain States Health Alliance hospitals. The written reports shall contain privileges recommended and qualifying data to support the recommendations of each appointment and reappointment.
- D. Appointments to the Medical Staffs shall be no longer than two years. The first six months of an initial appointment will be a provisional period. The applicant will be reviewed at the end of this period for full acceptance, extended provisional status or denial of privileges. The Board of Directors shall rely on the Medical Staffs' recommendation for appointment or reappointment of each physician, dentist, or other health professional applicant based on information concerning: the individual's current licensure; health status, professional performance, judgment, clinical and/or technical skills as indicated in part by the results of performance improvement activities; previously successful or currently pending challenges to any licensure or registration or the voluntary relinquishment of such licensure or registration; voluntary or involuntary limitation, reduction or loss of clinical privileges at another hospital; and involvement in professional liability actions resulting in adverse judgment or settlement.
- E. In no case shall the Board of Directors take action on an appointment, refuse to renew an appointment or cancel an appointment previously made without consultations with the Credentials Committee and/or the Executive Committee of the Medical Staff of the appropriate Mountain States Health Alliance hospital.
- F. The Executive Committee of the Medical Staffs shall submit periodic reports on the quality and appropriateness of patient care and the clinical performance of individuals with clinical privileges. The Board of Directors will approve recommendations of the Medical Staff Executive Committee for specific programs and procedures for reviewing, evaluating, and maintaining the quality and appropriateness of patient care within the relevant hospital.
- G. When a practitioner receives notice of a recommendation of the Executive Committee or Credentials Committee that will adversely affect his/her appointment as a member of the Medical Staff or his/her exercise of clinical privileges, he/she shall be entitled to a due process hearing as may be allowed by the appropriate Medical Staff Bylaws and/or Credentials Policy. It is understood that when the

applicant signs the application for appointment to the respective Medical Staffs, he/she agrees to:

- (1) Abide by the Bylaws of the Board of Directors.
 - (2) Abide by the Bylaws and/or Credentials Policy, Rules and Regulations of the Medical Staff of the hospital at which he/she is applying for privileges.
 - (3) Give to the relevant hospital immunity from liability as covered under the Medical Staff Bylaws and/or Credentials Policy.
- H. The Board of Directors or its designee, the President/CEO, shall inform applicants of the disposition of their application for Medical Staff membership and/or clinical privileges within a reasonable period of time after their application has been submitted.
- I. A physician or dentist whose engagement by a Mountain States Health Alliance hospital requires membership on the Medical Staff and whose duties are medico-administrative in nature shall not have his/her medical staff privileges terminated without the same due process provisions as are provided for any other member of the Medical Staffs, unless otherwise stated by contract, or by the appropriate Medical Staff Bylaws.
- J. The Medical Staff Bylaws and/or Credentials Policy shall include a mechanism for review of any adverse decision when requested by the practitioner, unless otherwise set forth by the Medical Staff Bylaws and/or Credentials Policy.
- K. The Board of Directors shall adopt a Hearing and Appeal Procedures Plan which has been approved by the respective Medical Staffs and which is included in the Medical Staff Bylaws and/or Credentials Policy.
- L. When the Board of Directors does not concur with a particular Medical Staff's recommendation relative to clinical privileges, the practitioner shall be entitled to such due process rights as may be provided by the appropriate Medical Staff Bylaws and/or Credentials Policy.
- M. No physician or dentist shall be eligible for appointment or reappointment or continuation as a member of any Medical Staff without satisfactory evidence of current professional liability insurance coverage in an amount of not less than \$1,000,000.00 through an insurance company licensed or approved by the State of Tennessee. At all times the relevant hospital shall have on file a certificate of insurance that is currently in force and it shall be the physician's responsibility to keep the relevant hospital informed of any changes in such certificate.
- N. Each Medical Staff Executive Committee shall make recommendations on the following areas to the Board of Directors, through their respective Community Boards, for its approval:

- (1) The structure of the respective Medical Staff;
- (2) The mechanism used to review credentials and to delineate individual clinical privileges;
- (3) Individual Medical Staff membership;
- (4) Specific clinical privileges for each eligible individual;
- (5) The organization of the performance improvement activities of the respective Medical Staff as well as the mechanism used to conduct, evaluate and revise such activities;
- (6) The mechanism by which membership on the respective Medical Staff may be terminated; and
- (7) The mechanism for fair-hearing procedures.

ARTICLE XV - PERFORMANCE IMPROVEMENT PROGRAM

SECTION 1.

A. The Board of Directors has ultimate responsibility for quality patient care and authority for maintaining a Performance Improvement and Risk Management program. The Board may delegate this responsibility to the President/CEO and the Community Boards, together with the authority for action under limitations described in this ARTICLE.

B. The Board of Directors requires the medical staffs and staffs of the various departments/services of the hospitals to implement and report on the activities and mechanisms for monitoring and evaluating the quality of patient care, for identifying and resolving problems, and for identifying opportunities to improve patient care.

C. The Board of Directors, through the President/CEO, shall fully support performance improvement activities and mechanisms. The Board through the President/CEO shall also provide for adequate resources and support systems for the performance improvement functions related to patient care and safety.

D. The Board of Directors shall assess the effectiveness of the performance improvement program on an annual basis and shall re-endorse or revise the program as necessary. A record of this assessment shall be maintained and communicated to the President/CEO, and the Community Boards.

E. The Board of Directors shall support and be committed to the Corporate Compliance Program implemented by this Corporation, and shall utilize their best efforts to ensure compliance within the Corporation and shall acknowledge their responsibility as the body for ensuring development and maintenance of the Corporate Compliance Program, through the President/CEO, Corporate Compliance Officer and the Corporation's administrative staff.

SECTION 2.

A. The Medical Staffs of the various hospitals, through their officers, departments, committees and individual members shall make a commitment to actively participate in the performance improvement program by developing indicators to be used for screening, evaluating and utilizing critical clinical judgment concerning identified problems or opportunities to improve care. Findings shall be reported to the Board through appropriate channels. Priority shall be given to those aspects of care which are high-volume, high-risk or problem-prone.

B. Department Chairmen are responsible for assuring the implementation of a planned and systematic process for monitoring and evaluating the quality and appropriateness of the care and treatment of patients served by the departments and the clinical performance of all individuals with clinical privileges in those departments. When important problems in patient care and clinical performance or opportunities to improve care are identified, action shall be taken and the effectiveness of the action taken evaluated.

C. The President of the respective Medical Staffs shall facilitate and coordinate medical staff involvement in the performance improvement program and shall serve as advisor to the respective Community Board on performance improvement matters.

D. The respective Community Boards may delegate oversight of the hospital-wide performance improvement program as it pertains to the Medical Staff to the Executive Committee of the Medical Staff.

SECTION 3.

A. The President/CEO is responsible for implementation of the performance improvement program as it concerns non-physician professionals and technical staffs and patient care units. This official shall actively support the performance improvement program by the provision of adequate resources.

B. The President/CEO may delegate responsibility for assessing individual patient care related functions to the appropriate hospital department and service directors.

C. The President/CEO shall delegate appropriate authority and responsibility to those responsible for hospital-wide performance improvement functions.

D. The President/CEO, through the Administrative Staff, shall provide support for the establishment and maintenance of an operational linkage between the risk management functions related to the clinical aspects of patient care and safety and the performance improvement functions.

E. The President/CEO shall assure himself that existing information from risk management activities that may be useful in identifying clinical problems and/or opportunities to improve the quality of patient care is accessible to the performance improvement functions.

ARTICLE XVI - AUXILIARY ORGANIZATIONS

SECTION 1. Approval of the Board of Directors is required prior to any auxiliary organization performing services for or within the Mountain States Health Alliance. Such proposals shall state the purpose, function, restrictive activities, organizational structure and any other condition as may be imposed by the Board and/or the President/CEO of the Corporation, or his/her designee. A major criteria in the approval of an auxiliary shall be the extent of its service and the potential effectiveness in serving the general welfare of patients and their families.

SECTION 2. No individual shall be permitted to perform volunteer services for or within the Health System without being a member of a Board approved auxiliary.

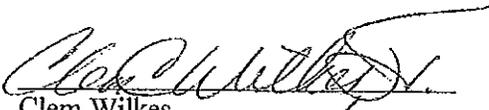
SECTION 3. Bylaws of an approved auxiliary shall be approved by the Board of Directors and reviewed annually. At least annually, the Auxiliary shall report to the Board regarding volunteer activities.

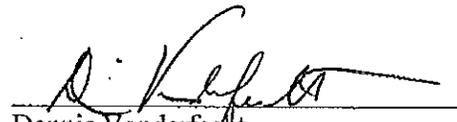
ARTICLE XVII - AMENDING THE BYLAWS

These Bylaws may be altered, amended, or changed, or new, or additional Bylaws adopted by the affirmative vote of two-thirds (2/3) of the members of the Board of Directors present at any regular meeting at which a quorum is present or at any special meeting called for that purpose at which a quorum is present. A review of the Bylaws shall be conducted annually to insure they are current and meet all accreditation standards and other requirements. This review shall be recorded in the minutes of the Board of Directors meeting

Date of last review and approval by Board of Directors:

April 5, 2013


Clem Wilkes
Chairperson


Dennis Vonderfecht
President/CEO

APPENDIX A ATTACHMENT

AFFILIATES OF MOUNTAIN STATES HEALTH ALLIANCE

Entity Name	Principal Place of Business	Nature of Business	Owners / Percentages of Ownership
Mountain States Health Alliance (TN Non-Profit Corp.)	303 Med Tech Parkway, Suite 347 Johnson City, TN 37604	<p>In addition to owning an interest in the affiliated entities listed below, Mountain States Health Alliance is the sole owner and operator of the following hospital facilities, none of which exists as a separate corporate entity:</p> <p>Johnson City Medical Center (JCMC) (Johnson City, TN) JCMC is a 445- bed regional tertiary referral center which also serves as a teaching hospital affiliated with East Tennessee State University. Founded in 1911, JCMC has transformed to provide a comprehensive array of inpatient and outpatient services, including advanced services and trauma services. Also located at JCMC are 34 skilled nursing beds, separately licensed as Franklin Transitional Care.</p> <p>Niswonger Children’s Hospital (Johnson City, TN) Niswonger Children’s Hospital is the region’s only children’s hospital. The 69-bed facility is staffed by pediatric experts to serve more than 200,000 children in a fourstate, 29-county region. Niswonger provides a comprehensive array of inpatient and outpatient services for children. Niswonger houses one of only seven St. Jude Affiliate Clinics across the country.</p> <p>Woodridge Psychiatric Hospital (Johnson City, TN) Woodridge Psychiatric Hospital is an 84-bed inpatient provider of mental health and chemical dependency</p>	n/a

Entity Name	Principal Place of Business	Nature of Business	Owners / Percentages of Ownership
		<p>services for adults, adolescents, and children ages six and older. Woodridge is a psychiatrist-led facility that includes a team of mental health therapists, discharge planners, expressive therapists, and psychiatric nurses to assist the patient with finding the most beneficial level of treatment.</p> <p>Indian Path Medical Center (Kingsport, TN) Indian Path Medical Center (IPMC) is a 239-bed community hospital with roots dating back 40 years. Indian Path provides a full array of services, including emergency services and a variety of inpatient and outpatient services.</p> <p>Sycamore Shoals Hospital (Elizabethton, TN) Sycamore Shoals Hospital is a 121-bed acute care facility serving the residents of Carter and Johnson Counties. Sycamore Shoals offers a full array of services, including emergency services and a variety of inpatient and outpatient services. In addition, wellness services are provided through the Franklin Health and Fitness Center, located on the campus of Sycamore Shoals.</p> <p>Franklin Woods Community Hospital (Johnson City, TN) Franklin Woods Community Hospital is an 80-bed, LEED-certified “green” facility. Opened in 2010, Franklin Woods provides a full array of services, including emergency medicine and a variety of inpatient and outpatient services.</p> <p>Unicoi County Memorial Hospital (Erwin, TN) Unicoi County Memorial Hospital, is a 48-bed acute care facility with an adjacent 46-bed skilled nursing facility. The hospital was founded in 1953 in Erwin, TN, and serves</p>	

Entity Name	Principal Place of Business	Nature of Business	Owners / Percentages of Ownership
		<p>the residents of Unicoi County and the surrounding areas with a full array of services, including emergency services and a variety of inpatient and outpatient services.</p> <p>Russell County Medical Center (Lebanon, VA) Russell County Medical Center is a 78-bed, acute care and behavioral health hospital. The hospital serves the residents of Russell County, VA, and provides behavioral health services, emergency services, and a variety of inpatient and outpatient services.</p> <p>Johnson County Community Hospital (Mountain City, TN) Johnson County Community Hospital is a two-bed critical access hospital opened in 1998 by Mountain States Health Alliance, offering emergency services and a variety of inpatient and outpatient services to the residents of Johnson County.</p>	
<p>Mountain States Foundation (TN Non-Profit Corp.)</p>	<p>2335 Knob Creek Road Suite 101 Johnson City, TN 37604</p>	<p>Mountain States Foundation is a not-for-profit entity providing philanthropic support to Mountain States Health Alliance through the coordination of fundraising and development activities. The Mountain States Foundation assisted with fundraising for the Niswonger Children’s Hospital, Johnson City Medical Center radiation oncology expansion, and various fundraising opportunities at local facilities throughout the system.</p>	<p>Note: Mountain States Foundation is a non-profit corporation with numerous members.</p> <p>In accordance with the charter and bylaws, membership on the Board of Trustees of Mountain States Foundation is subject to the approval of the Board of Directors of Mountain States Health Alliance. As a result,</p>

Entity Name	Principal Place of Business	Nature of Business	Owners / Percentages of Ownership
			Mountain States Health Alliance exercises supervisory authority over Mountain States Foundation and considers it to be an Affiliate.
Mountain States Health Alliance Auxiliary, Inc. (TN Non-Profit Corp.)	400 N. State of Franklin Rd. Johnson City, TN 37604	The Mountain States Auxiliary was established in 1979 to provide financial support for various projects, particularly ones involving extra benefits for Mountain States team members, patients, and guests. The Auxiliary operates the Gift Shops and conducts sales of such items as uniforms, jewelry and books.	Note: Mountain States Health Alliance Auxiliary, Inc. is a non-profit corporation with numerous members. In accordance with the charter and bylaws, the activities of the Board of Directors of Mountain States Health Alliance Auxiliary, Inc. are subject to the final approval of the Board of Directors of Mountain States Health Alliance. As a result, Mountain States Health Alliance exercises supervisory authority over Mountain States Health Alliance Auxiliary, Inc. and considers it to be an Affiliate.

Entity Name	Principal Place of Business	Nature of Business	Owners / Percentages of Ownership
Integrated Solutions Health Network, LLC (TN LLC, director managed)	509 Med Tech Pkwy Suite 100 Johnson City, TN 37604	This entity provides advanced population health management services through this entity.	Mountain States Health Alliance (99.89%) Laughlin Memorial Hospital, Incorporated (0.05%) Frontier Health (0.05%) Clinch Valley Medical Center, Inc. (0.01%)
Anew Care Collaborative, LLC (TN LLC, director managed)	509 Med Tech Pkwy Suite 100 Johnson City, TN 37604	AnewCare Collaborative is Mountain States' Accountable Care Organization, which operates a 14,000-member Medicare Shared Savings Program.	Integrated Solutions Health Network, LLC (100.0%)
CrestPoint Health Insurance Company, Inc. (TN Corp.)	509 Med Tech Pkwy Suite 100 Johnson City, TN 37604	Insurance and third party administrator services.	Integrated Solutions Health Network, LLC (100.0%)
Smyth County Community Hospital (VA Nonstock Nonprofit Corp)	245 Medical Park Drive Marion, VA 24354	This entity has a majority ownership and manages Smyth County Community Hospital, a 44-bed, acute care facility located in Marion, VA. Smyth County's services also include a 109-bed skilled nursing care facility, branded as Francis Marion Manor Health & Rehabilitation. The hospital has served the residents of Smyth County, VA, for more than 45 years through a full array of services, including emergency services and a variety of inpatient and outpatient services.	Mountain States Health Alliance (80.0% member) Smyth County Community Foundation (20.0% member)

Entity Name	Principal Place of Business	Nature of Business	Owners / Percentages of Ownership
Norton Community Hospital (VA Nonstock Nonprofit Corp)	100 15 th St. NW Norton, VA 24273	This entity has a majority ownership and manages Norton Community Hospital, located in Norton, VA. Norton Community Hospital has served Southwest Virginia and Southeastern Kentucky since 1949. The 129-bed, acute care facility provides a full array of services, including emergency services and a variety of inpatient and outpatient services. Norton Community was the first American Osteopathic Association accredited teaching facility in the commonwealth of Virginia and hosts residents in internal medicine.	Mountain States Health Alliance (50.1% member) Community Healthcare Foundation (49.9% member)
Norton Community Physician Services, LLC (VA LLC)	100 15 th St. NW Norton, VA 24273	Norton Community Physician Services is a for-profit entity consisting of physician practices and pharmacy. NCPS employs 16 physicians and 4 mid-levels to serve the residents of Wise County and surrounding area.	Norton Community Hospital (100.0%)
Dickenson Community Hospital (VA Nonstock Nonprofit Corp)	PO Box 1440 312 Hospital Dr. Clintwood, VA 24228	This entity owns and operates Dickenson Community Hospital, located in Clintwood, VA. Dickenson Community Hospital is one of two critical access hospitals operated by Mountain States Health Alliance. The hospital is licensed for 25 beds and provides emergency services and a variety of inpatient and outpatient services to the residents of Dickenson County.	Norton Community Hospital (100.0%)
Community Home Care, Inc. (VA Corp)	100 15 th St. NW Norton, VA 24273	Community Home Care is a home health agency located in Norton City, VA, that provides comprehensive quality care to patients within the comfort of their home.	Norton Community Hospital (100.0%)

Entity Name	Principal Place of Business	Nature of Business	Owners / Percentages of Ownership
Johnston Memorial Hospital, Inc. (VA Nonstock Nonprofit Corp)	16000 Johnston Memorial Drive Abingdon, VA 24211	This entity has a majority ownership and manages Johnston Memorial Hospital (JMH), located in Abingdon, VA. JMH is a 116-bed community hospital which was relocated to a new, state of the art facility in 2011. At that time, JMH was recognized as the first Gold Leadership in Energy and Environmental Design (LEED)-certified hospital in Southwest Virginia providing a full array of services, including emergency services and a variety of inpatient and outpatient services.	Mountain States Health Alliance (50.1%) Johnston Memorial Healthcare Foundation, Inc. (49.9%)
Abingdon Physician Partners (VA Nonstock Nonprofit Corp)	16000 Johnston Memorial Drive Abingdon, VA 24211	Abingdon Physician Partners is a physician practice owned and managed by Johnston Memorial Hospital consisting of 16 physicians and 5 mid-levels.	Johnston Memorial Hospital, Inc. (100.0%)
Blue Ridge Medical Management Corporation (TN Corp.)	1021 W. Oakland Ave. Suite 207 Johnson City, TN 37604	Blue Ridge Medical Management Corporation (BRMMC) is a wholly owned, for-profit subsidiary of Mountain States Health Alliance. BRMMC owns and manages physician practices throughout the service area through its integrated physician organization, Mountain States Medical Group. Mountain States Medical Group includes more than 250 providers in over 90 locations representing 25 specialties, including eight urgent care sites. Also operates HealthPro Staffing, a staffing agency formed to provide staffing solutions to the Mountain States Health Alliance facilities and other healthcare organizations in the region. Also operates The Wellness Center, a health and fitness center; and ownership and investment in a number of	Mountain States Health Alliance (100.0%)

Entity Name	Principal Place of Business	Nature of Business	Owners / Percentages of Ownership
		joint ventures such as ambulatory surgery centers and urgent care facilities.	
Mountain States Physician Group, Inc. (TN Corp.)	400 N. State of Franklin Rd. Johnson City, TN 37604	This is a company that employs practitioners who provide professional services on behalf of practices operated by BRMMC and other MSHA affiliates.	Blue Ridge Medical Management Corporation (100.0%)
Mountain States Properties, Inc. (TN Corp.)	400 N. State of Franklin Rd. Johnson City, TN 37604	This entity owns and leases real estate to MSHA and other affiliates, as well as to unaffiliated third parties..	Blue Ridge Medical Management Corporation (100.0%)
Medi-Serve Medical Equipment of Kingsport, Inc. (TN Corp.)	1183 Spratlin Park Dr. Gray, TN 37615	This entity operates Medi-Serve Medical Equipment Company, a durable medical equipment and respiratory services company with three locations in Northeast Tennessee and Southwest Virginia.	Blue Ridge Medical Management Corporation (100.0%)
Emmaus Community Healthcare, LLC, d/b/a Piney Flats Urgent Care (TN LLC, manager managed)	1021 W. Oakland Ave. Suite 207 Johnson City, TN 37604	A for-profit entity that provides urgent care patient services.	Blue Ridge Medical Management Corporation (75.0%) Charles L. Backus, III, D.O. (25.0%)

Entity Name	Principal Place of Business	Nature of Business	Owners / Percentages of Ownership
Wilson Pharmacy, Inc. (TN Corp.)	525 N. State of Franklin Rd. Johnson City, TN 37604	Operates Mountain States Pharmacy, a retail pharmacy with five locations in Northeast Tennessee and Southwest Virginia.	Blue Ridge Medical Management Corporation (100.0%)
East Tennessee Ambulatory Surgery Center, LLC (TN LLC, board managed)	701 Med Tech Pkwy Suite 100 Johnson City, TN 37604	This entity operates an ambulatory surgery center that offers the following outpatient services: anesthesiology, bariatric surgery, breast surgery, cardiology, endoscopy, general surgery, gynecology, hand surgery, infertility/reproductive surgery, neurosurgery, ophthalmology, pain management, plastic surgery, podiatry, and urology	Blue Ridge Medical Management Corporation (68.26%) Jim N. Brantner, M.D. (5.16%) Aaron Brown, M.D. (1.10%) Brenda Crowder, M.D. (0.55%) Kenneth E. Cutshall, M.D., FACS (4.13%) Lorna Ehrenfried, M.D. (1.10%) Timothy Fullager, M.D. (1.10%) Tony O. Haley, M.D. (2.19%) David T. Hamilos, DPM (0.55%) Daniel Haynes, M.D. (2.19%)

Entity Name	Principal Place of Business	Nature of Business	Owners / Percentages of Ownership
			Elizabeth Lawson, M.D. (2.19%) Dean McLaughlin, M.D. (1.10%) Phillip Riley, DPM (2.19%) John F. Robertson, III, M.D. (2.19%) David Wiles, M.D. (6.02%)
Medical Specialists of Johnson City, LLC (TN LLC, director managed)	303 Med Tech Pkwy Suite 200 Johnson City, TN 37604	This entity operates a physician office that treats patients who need the care of physicians specializing in rheumatology and endocrinology	Mountain States Health Alliance (51.0%) State of Franklin Healthcare Associates, PLLC (49.0%)
Synergy Health Group, LLC (TN LLC, Member managed)	One Professional Park Drive, Suite 11 Johnson City, Tennessee 37604-6094	Synergy Health Group is an affiliation of member hospitals united in their efforts to maximize cost saving opportunities through aggregated buying power. Synergy Health Group members work jointly, not only in group purchasing efforts but in building and sharing best practices, to establish a strong healthcare corridor spanning Southwest Virginia through Northeast Tennessee and in to Western North Carolina. Note: Synergy has filed a notice of dissolution and is in the process of winding up business, but it has not yet terminated operations	Blue Ridge Medical Management Corporation (100.0%)

APPENDIX B

7. Organizational Documents of Acquirer. Attach as Appendix B copies of all organizational documents relating to the Acquirer identified in Request 6. See definition of “organizational documents” in Request 4.

The Master Affiliation Agreement and Plan of Integration dated as of February 16, 2016, as amended by the First Amendment to Affiliation Agreement dated as of September 8, 2016 between Mountain States and Wellmont provides in Section 2.01(c) that the Articles of Incorporation of Newco, Inc. and the Bylaws of Newco, Inc. will be revised upon the closing of the transaction. It is expected that the amendment to the Articles, which has not yet been prepared, will consist of (1) changing the name of Newco to Ballard Health and (2) designating a new principal place of business of Newco as agreed by Mountain States and Wellmont. The Amended and Restated Bylaws have been agreed upon by the parties and are attached to this Appendix B. Accordingly, we have attached the Articles and Bylaws of Newco, Inc. as they currently exist (the “**Interim Articles**” and the “**Interim Bylaws**”) and the Amended and Restated Bylaws of Ballard Health as they will be adopted upon the closing of the Transaction. Note that the Amended and Restated Bylaws are currently titled the Amended and Restated Bylaws of Newco, Inc., but they will be adopted as the Amended and Restated Bylaws of Ballard Health to reflect the name that the parties have agreed upon and announced for the new health system.

The initial draft, final version and a comparison document showing negotiated changes to the initial draft of Newco, Inc.’s articles of incorporation and bylaws are included in this Appendix B. Additional interim drafts are available upon request.

Index

1. Articles of Incorporation:

- Filed, executed version of Interim Articles of Incorporation of Newco, Inc. (Sept. 11, 2015)

*****Following Attachments are Confidential*****

[This section left intentionally blank.]

*****End of Confidential Attachments*****

2. Bylaws:

- Final version of Interim Bylaws of Newco, Inc. (Oct. 26, 2015)

*****Following Attachments are Confidential*****

*****End of Confidential Attachments***]**

3. Amended and Restated Bylaws:

- Final version of Amended and Restated Bylaws of Newco, Inc. (Feb. 13, 2016)

*****Following Attachments are Confidential***]**

[This section left intentionally blank.]

*****End of Confidential Attachments***]**

4. Conflict of Interest Policy of Newco, Inc.



BILL GARRETT, Davidson County

Trans: T20150077661 CHARTER

Recvd: 09/11/15 15:50 5 pgs

Fees: 7.00 Taxes: 0.00



STATE OF TENNESSEE

Tre Hargett, Secretary of State

Division of Business Services

William R. Snodgrass Tower

312 Rosa L. Parks AVE, 6th FL

Nashville, TN 37243-1102

Newco, Inc.
STE 800
211 COMMERCE ST
NASHVILLE, TN 37201-1817

September 11, 2015

Filing Acknowledgment

Please review the filing information below and notify our office immediately of any discrepancies.

SOS Control # :	000814276	Formation Locale:	TENNESSEE
Filing Type:	Nonprofit Corporation - Domestic	Date Formed:	09/11/2015
Filing Date:	09/11/2015 3:14 PM	Fiscal Year Close:	12
Status:	Active	Annual Report Due:	04/01/2016
Duration Term:	Perpetual	Image # :	B0126-8290
Public/Mutual Benefit:	Public		
Business County:	DAVIDSON COUNTY		

Document Receipt

Receipt # : 002230945	Filing Fee:	\$100.00
Payment-Check/MO - BAKER, DONELSON, BEARMAN, CALDWELL & BERKOWITZ, NASHVILI		\$100.00

Registered Agent Address:

CLAIRE C. HALTOM
STE 800
211 COMMERCE ST
NASHVILLE, TN 37201-1817

Principal Address:

STE 800
211 COMMERCE ST
NASHVILLE, TN 37201-1817

Congratulations on the successful filing of your **Charter** for **Newco, Inc.** in the State of Tennessee which is effective on the date shown above. You must also file this document in the office of the Register of Deeds in the county where the entity has its principal office if such principal office is in Tennessee. Please visit the Tennessee Department of Revenue website (apps.tn.gov/bizreg) to determine your online tax registration requirements. If you need to obtain a Certificate of Existence for this entity, you can request, pay for, and receive it from our website.

You must file an Annual Report with this office on or before the Annual Report Due Date noted above and maintain a Registered Office and Registered Agent. Failure to do so will subject the business to Administrative Dissolution/Revocation.

Tre Hargett
Secretary of State

Processed By: Kelli Wiggins

ARTICLES OF INCORPORATION
OF
NEWCO, INC.

FILED

The undersigned nonprofit corporation acting pursuant to the provisions of the Tennessee Nonprofit Corporation Act, Tennessee Code Annotated, Section 48-51-101, et seq. (the "Act"), adopts the following Articles of Incorporation pursuant to Tennessee Code Annotated, Section 48-52-102:

ARTICLE I.

CORPORATE NAME

The name of the corporation is Newco, Inc. (the "Corporation").

ARTICLE II.

TYPE OF CORPORATION

The Corporation is a public benefit corporation.

ARTICLE III.

INCORPORATOR

The name, address and zip code of the incorporator is Claire C. Haltom, 211 Commerce Street, Suite 800, Nashville, TN 37201.

ARTICLE IV.

REGISTERED AGENT AND OFFICE

The registered office of the Corporation is 211 Commerce Street, Suite 800, Nashville, Tennessee 37201, Davidson County, and its registered agent at that address is Claire C. Haltom.

ARTICLE V.

PRINCIPAL OFFICE

The street address and zip code of the principal office of the Corporation is 211 Commerce Street, Suite 800, Nashville, Tennessee 37201.

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ARTICLE IX.

LIMITATIONS ON POWERS

As a means of accomplishing the purposes for which it is organized, the Corporation shall have the rights and powers now or later conferred upon corporations not for profit by the Act and the laws of the State of Tennessee, limited in certain respects as follows:

(a) The Corporation shall neither have nor exercise any power, nor shall it directly or indirectly engage in any activity, that would (1) prevent it from obtaining and maintaining exemption from federal income taxation as a corporation described in Section 501(c)(3) of the Code, (2) prevent it from obtaining and maintaining the status of a corporation contributions to which are deductible under Section 170(c)(2) of the Code, or (3) cause it to lose such exemption or status.

(b) The Corporation shall not be operated for the primary purpose of carrying on a trade or business for profit.

(c) No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, its directors, officers, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of its corporate purposes.

(d) Except as may be permitted from time to time under Section 501 of the Internal Revenue Code, no substantial part of the activities of the Corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation; nor shall it in any manner or to any extent participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office; nor shall the Corporation engage in any activities that are unlawful under applicable federal, state, or local laws.

ARTICLE X.

LIMITATION OF DIRECTOR LIABILITY

To the fullest extent that the laws of the State of Tennessee as it exists on the date hereof permits the limitation or elimination of the liability of directors, no director of the Corporation shall be personally liable to the Corporation for monetary damages for breach of fiduciary duty as a director. If the Act is amended after approval of these Articles of Incorporation to authorize corporate action further eliminating or limiting personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Act, as amended, without the requirement for further amendment of these Articles of Incorporation.

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ARTICLE XI.

DISSOLUTION

Upon the dissolution of the Corporation, and pursuant to the laws of the State of Tennessee:

(a) All liabilities and obligations of the Corporation shall be paid and discharged, or adequate provisions shall be made therefore; and

(b) All remaining assets of the Corporation shall be distributed to one or more charitable, scientific, literary or educational organizations which are not for profit, and which qualify under the provisions of Section 501(c)(3) of the Code, and which, if practical, are engaged in affairs substantially similar to those of the Corporation, or to the State of Tennessee or any governmental subdivision thereof exclusively for public purposes all as shall be determined by the Board of Directors of the Corporation. In default of any such determination, all remaining assets shall be disposed of by a court of competent jurisdiction in the county in which the principal office of the Corporation is then located exclusively for charitable, scientific, literary, or educational purposes, or to one or more organizations that are organized and operated exclusively for such purposes, as such court determines.

CERTIFICATION

IN WITNESS WHEREOF, these Articles of Incorporation are hereby executed and filed with the Secretary of State of the State of Tennessee, as of September 11, 2015, to be effective immediately.



Claire C. Haltom, Incorporator

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ARTICLES OF INCORPORATION

OF

[NEWCO]

(Control No. _____)

The undersigned nonprofit corporation acting pursuant to the provisions of the Tennessee Nonprofit Corporation Act, Tennessee Code Annotated, Section 48-51-101, et seq. (the “Act”), adopts the following Articles of Incorporation pursuant to Tennessee Code Annotated, Section 48-52-102:

ARTICLE I.

CORPORATE NAME

The name of the corporation is [NEWCO] (the “Corporation”).

ARTICLE II.

TYPE OF CORPORATION

The Corporation is a public benefit corporation.

ARTICLE III.

INCORPORATORS

The names, addresses and zip codes of the incorporators are [_____] , Tennessee [_____] , [_____] , Tennessee [_____] , and [_____] , Tennessee [_____] .

ARTICLE IV.

REGISTERED AGENT AND OFFICE

The registered office of the Corporation is [_____] , Tennessee [_____] , [_____] County, and its registered agent at that address is [_____].

ARTICLE V.

PRINCIPAL OFFICE

The street address and zip code of the principal office of the Corporation is [_____] , Tennessee [_____] .

ARTICLE VI.

INITIAL/PRE-CLOSING BYLAWS
Monday, October 26, 2015

BYLAWS
OF
NEWCO, INC.

ARTICLE I
NAME, PURPOSE, AND PRINCIPAL PLACE OF BUSINESS

Section 1. Name. The name of this Corporation is Newco, Inc. (hereinafter referred to as the “Corporation”).

Section 2. Purposes. It is intended that the Corporation will qualify at all times as an organization exempt from federal income tax under Sections 501(a) and 501(c)(3) of the Internal Revenue Code of 1986, including any amendments that may be made from time to time (the “Code”), and that it will qualify at all times as an organization to which deductible contributions may be made pursuant to Sections 170, 642, 2055 and 2522 of the Code. The Corporation is organized and will be operated exclusively for charitable, scientific, and educational purposes within the meaning Section 501(c)(3) of the Code, including the business of developing, owning and operating inpatient hospitals, clinics, physician practices, other healthcare services, and other services, businesses and activities for the overall purpose of promoting health and providing quality health care services to a broad cross section of the community. In accomplishment of such purposes, the Corporation shall be organized, and at all times operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of the not for profit corporations of which it is a member, provided that such not for profit corporations (i) qualify at all times as organizations exempt from federal income tax under Section 501(c)(3) of the Code and (ii) are described in Section 509(a)(1) or 509(a)(2) of the Code.

ARTICLE II
MEMBERS

The Corporation shall have no members.

ARTICLE III
BOARD OF DIRECTORS

Section 1. Duties. The business and affairs of the Corporation shall be governed exclusively by its Board of Directors. The Board of Directors shall be responsible for ensuring high quality delivery of health care and human services to the communities served by the Corporation and the Corporation’s subsidiaries. The Board of Directors may delegate certain authorities to subsidiary boards. Any authorities not specifically delegated are reserved to the Board of Directors of the Corporation.

Section 2. Composition. The Corporation’s Board of Directors shall consist of four (4) directors, two (2) of whom shall be appointed by Mountain States Health Alliance, (“MSHA”), and two (2) of whom shall be appointed by Wellmont Health System (“Wellmont”); provided, however, that all Directors shall be persons who are deemed to be independent community directors in accordance with Internal Revenue Service guidance for organizations that are exempt from federal income tax under Code Section 501(c)(3) and which provide hospital services or other health care services or serve as supporting organizations to tax exempt health care services providers; provided, further, in order to satisfy the requirements for an organization supervised or

controlled in connection with organizations described in Code Section 509(a)(1) or (2), as described in Code Section 509(a)(3)(B)(ii), at all times all of the Corporation's directors will also be directors of MHSA and directors of Wellmont.

Section 3. Terms.

The Directors shall serve for a term of two (2) years commencing immediately following his or her respective appointment and continuing until their respective successors shall have been appointed and qualified.

Section 4. Vacancies. Vacancies arising in positions on the Board of Directors (whether by resignation, death, expiration of term of office, termination, removal, increase in Board size, or other reason) shall be filled by the corporation which appointed the Director vacating the position.

Section 5. Removal. Directors may be removed without cause by the corporation which appointed the Director to be removed.

Section 6. Resignation. A director may resign at any time by delivering written notice of resignation to the Corporation's Secretary. Resignation is effective when notice is delivered unless the notice specifies a later effective date, in which case such date shall be the effective date.

Section 7. Confidentiality and Fiduciary Duty of Loyalty, Care and Obedience. Each director shall maintain the strict confidentiality of all information discussed or received in connection with any meeting of the Board of Directors and any committee meeting, whether such information is oral, written or preserved in any other form. No Director shall use any information gained through or in connection with his or her capacity as a director in any manner which might create, directly or indirectly, any form of personal benefit unless such usage is consistent with and done in compliance with the Corporation's policies regarding Conflicts of Interest. Each Director shall, at all times, exercise loyalty, care and obedience to the fiduciary responsibilities entrusted to the Director on behalf of the Corporation.

ARTICLE IV
OFFICERS OF THE CORPORATION

Section 1. Officers. The officers of the Corporation shall consist of a President, a Secretary, and a Treasurer. Except as provided below, all officers of the Corporation shall be elected by, and shall serve at the pleasure of, the Board of Directors. A duly appointed officer may appoint one (1) or more officers or assistant officers.

Section 2. Resignation. An officer may resign at any time by delivering written notice of resignation to the Corporation's President or Secretary. Resignation is effective when the notice is delivered unless the notice specifies a later effective date, in which case such date shall be the effective date.

ARTICLE V
POWERS AND DUTIES OF THE OFFICERS.

Section 1. President. Subject to the oversight of the Board of Directors, the President of the Corporation shall have general supervision, direction and control of the business and affairs of the Corporation and shall have the general powers and duties of management usually vested in persons in similar positions. In such capacity, the President shall report to the Board of Directors. The President, or his/her designee, may execute all promissory notes, mortgages, deeds, contracts and other instruments. The President shall have such other duties and authority as may be prescribed elsewhere in these Bylaws or from time to time by the Board of Directors.

Section 2. Secretary. The Secretary shall cause to be kept the minutes of all meetings of the Board of Directors and of any committee. He or she shall cause to be given all notices provided for in these Bylaws. He or she shall have custody of the seal of the Corporation and shall affix the same, attested by his or her signature, to all instruments required to be under the seal of the Corporation. He or she shall have the duties, power and responsibilities of the secretary of a Corporation under the laws of the State of Tennessee and shall perform such other duties as may be prescribed by the Board of Directors.

Section 3. Treasurer. The Treasurer shall be the official custodian of all funds and securities of the Corporation, and shall deposit, or cause to be deposited, same in such banks or other depositories as the Board of Directors may designate or approve. He or she shall have the duties, power and responsibilities of the treasurer of a Corporation under the laws of the State of Tennessee and shall perform such other duties as may be prescribed by the Board of Directors.

ARTICLE VI
MISCELLANEOUS

Section 1. Corporate Seal. The Board of Directors may provide a seal for the Corporation in the form approved by the Board of Directors.

Section 2. Fiscal Year. The fiscal year of the Corporation shall begin on the first day of July of each year.

ARTICLE VII
NOTICE

Whenever under the provisions of the Act, the Charter, or these Bylaws notice is required to be given to any director, officer, or committee member of the Corporation, it shall not be construed to require personal notice, but such notice, unless required to be in writing, may be given by telephone or electronic mail and, if given in writing, may be given either personally or by facsimile, or by depositing the same in a post office or letter box in a postpaid, sealed wrapper, in either case addressed to such director, officer, or committee member at his or her address as the same appears in the records of the Corporation; and the time when the same shall be so mailed or faxed, shall be deemed to be the time of the giving of such notice.

ARTICLE VIII
INDEMNIFICATION

Section 1. Indemnification of Officers and Directors. The Corporation shall indemnify an individual made a party to a proceeding, criminal or civil, because he or she is or was an officer or director (whether voting or non-voting) of the Corporation against liabilities and expenses incurred in the proceeding to the fullest extent permitted by the Act. The Corporation shall make advances for expenses incurred or to be incurred in the proceeding as provided for in the Act.

Section 2. Indemnification of Employees and Agents. The Corporation may indemnify an individual made a party to a proceeding, criminal or civil, because he or she is or was an employee or agent of the Corporation against liabilities and expenses incurred in the proceeding to the extent determined appropriate by the Board of Directors consistent with the provisions of the Act. The Corporation may make advances for expenses incurred or to be incurred in the proceeding to the extent determined appropriate by the Board of Directors consistent with the provisions of the Act.

Section 3. Insurance. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another Corporation, partnership, joint venture, trust, or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power or would be required to indemnify him or her against such liability under the provisions of this Article.

Section 4. Nonexclusivity. The rights of indemnification and advancement of expenses granted pursuant to this Article shall not be deemed exclusive of any other rights to which an officer, director, employee, or agent seeking indemnification or advancement of expenses may be entitled, pursuant to the Act, Tennessee statutory or case law, the Corporation's Charter, these Bylaws, a resolution of the Board of Directors, or an agreement or arrangement providing for indemnification; provided, however, that no indemnification may be made to or on behalf of any officer, director, employee, or agent, if a judgment or other final adjudication establishes that such indemnification is prohibited by Section 48-58-502 of the Act or any successor statutory provision.

Section 5. Statutory Immunities. Nothing contained in this Article VIII shall be construed to prejudice or otherwise diminish the limitations, immunities and other protections available to the directors and officers of the Corporation (including a director of a Hospital Board) pursuant to Section 48-58-601 of the Act or any successor statutory provision.

ARTICLE IX
CONFLICTS OF INTEREST

The Board of Directors shall adopt and maintain a Conflict of Interest Policy applicable to all members of the Board, Board Committees, officers of the Corporation, and key management personnel. The policy shall require the annual completion and submission of an acknowledgement and disclosure statement, as well as a confidentiality agreement applicable to all business of the Board of Directors.

FINAL

AMENDED AND RESTATED

BYLAWS

OF

NEWCO, INC.

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ARTICLE I
NAME AND PURPOSE.

Section 1. Name. The name of this Corporation is Newco, Inc. (hereinafter referred to as the “Corporation”).

Section 2. Purposes. It is intended that the Corporation will qualify at all times as an organization exempt from federal income tax under Sections 501(a) and 501(c)(3) of the Internal Revenue Code of 1986, including any amendments that may be made from time to time (the “Code”), and that it will qualify at all times as an organization to which deductible contributions may be made pursuant to Sections 170, 642, 2055 and 2522 of the Code. The Corporation is organized and will be operated exclusively for charitable, scientific, and educational purposes within the meaning Section 501(c)(3) of the Code, including the business of developing, owning and operating inpatient hospitals, clinics, physician practices, other healthcare services, and other services, businesses and activities for the overall purpose of promoting health and providing quality health care services to a broad cross section of the community. In accomplishment of such purposes, the Corporation shall be organized, and at all times operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of the not for profit corporations of which it is a member, provided that such not for profit corporations (i) qualify at all times as organizations exempt from federal income tax under Section 501(c)(3) of the Code and (ii) are described in Section 509(a)(1) or 509(a)(2) of the Code.

ARTICLE II
MEMBERS

The Corporation shall have no members.

ARTICLE III
BOARD OF DIRECTORS

Section 1. Duties. The business and affairs of the Corporation shall be governed exclusively by its Board of Directors. The Board of Directors shall be responsible for ensuring high quality delivery of health care and human services to the communities served by the Corporation and the Corporation’s subsidiaries, with such responsibilities including, but not being limited to:

(a) the establishment, approval and review of policies necessary for the governance of the Corporation, including delegations of authority, establishment and Board approval of the strategic plan, the provision of quality patient care and the appropriate allocation of personnel, resources and assets;

(b) the establishment, approval and review of policies and procedures, or the appropriate delegation of authority for such policies and procedures, for the effective delivery of healthcare services within the Corporation’s affiliated Hospitals and ancillary facilities including appropriate Medical Staff bylaws and competency standards, nursing practice standards, and regulatory standards for care delivery;

(c) the approval of the Corporation’s annual operating budget;

(d) the approval of long-term capital expenditure budgets which address the Corporation's anticipated capital needs;

(e) the regular review of the Corporation's financial performance vis-a-vis its annual operating budgets and capital budgets, and the adjustment or modification of such budgets from time to time as circumstances require;

(f) the establishment of policies sustaining performance improvement, risk management and quality programs with appropriate assessment of effectiveness of each program;

(g) the regular review of the Corporation's Corporate Compliance Plan, its implementation, and observance;

(h) the oversight of fulfillment of the community benefit purpose of the Corporation;

(i) at the end of the Integration Period, conduct a review to determine whether retaining the Executive Chair/President and Vice Chair/Lead Independent Director structure, or converting to an independent Chair and Chief Executive Officer structure, is necessary or desirable in the best interest of the Corporation and its mission and purpose.

The Board of Directors may delegate certain authorities to subsidiary boards. Any authorities not specifically delegated are reserved to the Board of Directors of the Corporation.

The Board of Directors, in fulfilling its governance role, will ensure meaningful participation by management, clinical and physician leadership and any advisors deemed appropriate by the Board of Directors. The Board of Directors shall require the implementation of such systems and procedures as will foster effective communication by and among the administrative and departmental staffs, the Medical Staffs, and the Board of Directors.

At least one (1) time each fiscal year, the Board of Directors shall meet to assess the performance of the Board of Directors and the Corporation's progress toward executing its strategic plan and achieving its stated goals and objectives. Where appropriate, such review process shall include an assessment and adjustment of the Corporation's long-range, strategic, and operational plans and policies, as well as the Corporation's budget, fiscal position, and allocation of resources, in light of the Corporation's stated business purposes and mission statement.

(j) **Composition (Integration Period)**. During the Integration Period, the Corporation's Board of Directors shall consist of not more than seventeen (17) voting directors, sixteen (16) of whom shall be appointed on the Closing Date. Two of the voting directors shall be the Executive Chair/President of the Corporation and the Chief Executive Officer of the Corporation, each of whom shall serve as a voting ex-officio director, subject in the case of the Chief Executive Officer, to the limitations in Sections 2 and 3 below. The voting directors who are not serving ex officio shall be and are divided into two (2) Category J Directors, six (6) Category W Directors and six (6) Category M Directors. The voting directors who are not serving ex officio shall be and are divided further into three classes, designated Class I, Class II and Class III. Class I and Class II initially each shall consist of two (2) Category M Directors and two (2) Category W Directors. Class III initially shall consist of two (2) Category J Directors, two (2) Category M Directors, and two (2) Category W Directors. At least two (2) Category M Directors and two (2) Category W Directors shall be physicians who are members of the active medical staff of at least one of the

Corporation's affiliated Hospitals; provided, however, that, at all times, the majority of the Board of Directors shall consist of members who are deemed to be independent community directors in accordance with Internal Revenue Service guidance for organizations that are exempt from federal income tax under Code Section 501(c)(3) and which provide hospital services or other health care services or serve as supporting organizations to tax exempt health care services providers; provided, further, in order to satisfy the requirements for an organization supervised or controlled in connection with organizations described in Code Section 509(a)(1) or (2), as described in Code Section 509(a)(3)(B)(ii), at all times all of the Corporation's directors will also be directors of Mountain States Health Alliance and directors of Wellmont Health System. In addition, the person serving from time to time as the President of East Tennessee State University shall serve as a non-voting ex-officio director.

(k) **Composition (Post-Integration Period)**. Except for the purposes of Section 3(b)(ii) below, upon the expiration of the Integration Period the division of the Board of Directors into Categories J, M and W shall cease, but the terms and the designation into Classes of the persons then serving as Directors shall not be affected thereby. After the expiration of the Integration Period the Corporation's Board of Directors shall consist of not more than seventeen (17) voting directors, one of whom shall be the Executive Chair/President of the Corporation who shall serve as a voting ex-officio director. The sixteen (16) voting directors who are not serving ex officio shall be and are divided into three classes, designated: Class I, Class II and Class III; provided, in order to satisfy the requirements for an organization supervised or controlled in connection with organizations described in Code Section 509(a)(1) or (2), as described in Code Section 509(a)(3)(B)(ii), at all times all of the Corporation's directors will also be directors of Mountain States Health Alliance and directors of Wellmont Health System. In addition, the person serving from time to time as the President of East Tennessee State University shall serve as a non-voting ex-officio director.

(l) **Qualifications**. In the selection of directors, appropriate consideration shall be given to an individual's competencies, skills and perspectives and the individual's ability to commit the time necessary to devote to a director's duties. Consideration shall also be given to the inclusion of a variety of business, health-related, and consumer perspectives among the various members of the Board of Directors, with a goal of achieving (i) a geographic and demographic diversity among the members and (ii) a mix of competencies, skills and perspectives as determined by the Board from time to time to be necessary or desirable

(m) **Orientation**. The Board shall adopt a policy ensuring appropriate orientation of new Board and Board Committee members.

(n) **Additional Independent Director**. During the Integration Period, the Board of Directors may choose to elect a person to serve as the Additional Independent Director, who may be in addition to the sixteen (16) persons appointed on the Closing Date. If elected, the Additional Independent Director will be a Category J Director and appointed to Class III.

Section 2. Terms

Generally, each director shall serve for a term of three (3) years ending on the date of the third annual meeting of directors following the annual meeting of directors at which such director was elected. For purposes of this section, the Closing Date shall be deemed the date of the initial annual meeting and initial election of directors. Notwithstanding the generally applicable terms of office, each director initially appointed to Class I shall serve for an initial term expiring at the

Corporation's second annual meeting of directors following the Closing Date; each director initially appointed to Class II shall serve for an initial term expiring at the Corporation's third annual meeting of directors following the Closing Date; and each director initially appointed to Class III (including the Additional Independent Director, if elected) shall serve for an initial term expiring at the Corporation's fourth annual meeting of directors following the Closing Date; provided, that the term of each director shall continue until the election and qualification of a successor and be subject to such director's earlier death, resignation or removal. Ex-officio directors shall serve for a term that is commensurate with their term of office in the ex-officio position which creates membership on the Corporation's Board of Directors, except that the Chief Executive Officer of the Corporation shall cease to serve as a voting ex-officio director on the second anniversary of his or her initial appointment.

Elected directors may serve no more than two (2) consecutive three (3) year terms. An initial appointment as a Class I, Class II, or Class III Director shall be deemed a 3-year term for the purpose of this consecutive term limitation.

Section 3. Vacancies.

(a) In General. Except as set forth in subsection (b) of this Section 3, vacancies arising in positions on the Board of Directors (whether by resignation, death, expiration of term of office, termination, removal, increase in Board size, or other reason) shall be filled by the Board of Directors based upon nominations presented by the Governance/Nominating Committee. In submitting its nominations, the Governance/Nominating Committee shall endeavor to propose nominees who possess the skill sets identified in Article III, Section 1 of these Bylaws taking into account the skill mix of the persons then serving on the Board of Directors.

(b) Integration Period and Initial Vacancies.

(i) During the Integration Period, any vacancy among the Category M Directors or Category W Directors shall be filled by a vote of the majority of the remaining Category M or Category W Directors, as the case may be. During the Integration Period, any vacancy among the Category J Directors, including the Additional Independent Director, if nominated by the Governance/Nominating Committee, shall be filled by a person approved by the vote of a majority of each of the Category M Directors and the Category W Directors, voting as two classes.

(ii) Notwithstanding Section 1(k) above, after the Integration Period, and until the fourth anniversary of the closing of the affiliation transaction between Wellmont Health System and Mountain States Health Alliance, any vacancy among the Category M Directors or Category W Directors shall be filled by a vote of the majority of the Board of Directors upon the nomination of a replacement by the remaining Category M or Category W Directors, as the case may be, and shall consider the appropriate competencies determined to be desirable by the Board of Directors.

(iii) The Category W Directors shall appoint, by majority vote, a person to serve as a Class I, Category W Director to replace the Chief Executive Officer of the Corporation when he or she shall cease to serve as a voting ex-officio director as provided in Section 2 above.

(iv) In the event of a separation between the Corporation and the Executive Chair/President during the Integration Period:

A. The Category M Directors shall nominate one Director to serve as the Acting Chair of the Board of Directors, which nominee shall be subject to election by a majority vote of the Board of Directors. The Acting Chair shall assume the powers and responsibilities of the Executive Chair/President as Chair of the Board of Directors and will not have operating responsibilities.

B. The Chief Executive Officer shall immediately become a non-voting ex-officio director.

C. The Board may choose to appoint an interim President to assume the management responsibilities of the Executive Chair/President. The Board shall follow industry best practices in developing a process for selection of a permanent replacement for the Executive Chair/President.

D. The Board shall conduct a review to determine whether retaining the Executive Chair/President and Vice Chair/Lead Independent Director structure, or converting to an independent Chair and Chief Executive Officer structure, is necessary or desirable in the best interest of the Corporation and its mission and purpose.

Section 4. Removal. Voting and non-voting directors may be removed by a majority vote (as described below in Section 5) of the Board of Directors only for cause. For purposes of these Bylaws, “for cause” shall mean: (i) failure to satisfy the attendance requirements for directors set forth below in Section 7; (ii) continuous disruptive behavior as determined by the Board of Directors in its reasonable judgment; (iii) conviction of a felony or a crime of moral turpitude; (iv) incapacity, inability, or unwillingness to perform the duties and responsibilities of a director, as determined by the Board of Directors in its reasonable discretion; (v) engagement by a director in an activity, arrangement, or transaction which would result in a material conflict with his or her position as a director of the Corporation or the Corporation’s interests or purposes, as determined by the Board of Directors in its reasonable discretion; (vi) a breach of the duty of confidentiality as such duty is set forth below in Section 9, or as such duty may otherwise be provided for or defined from time to time in the Corporation’s internal policies or by action of the Board of Directors, or (vii) such other activity, event, or reason determined to constitute cause by the Board of Directors in its reasonable discretion.

Section 5. Actions of the Board.

(a) Majority and Super-Majority Votes. Except as otherwise set forth below, actions of the Board of Directors shall require the affirmative vote of a majority of the voting directors at a meeting at which a quorum is present. For purposes of these Bylaws, a quorum of the Board of Directors shall be a majority of the voting directors. Notwithstanding the foregoing, until the second anniversary of the closing of the affiliation transaction between Wellmont Health System and Mountain States Health Alliance, the following actions may be taken by the Board of Directors only upon the affirmative vote of a majority of the directors then in office, which must include a majority of the Category M Directors and a majority of the Category W Directors, each voting as a class (referred to herein as a “super-majority vote”):

(i) Amendments to the Charter or Bylaws of the Corporation, including amendments to the duties of the Executive Chair/President or the Vice Chair/Lead Independent Director as set forth in these Bylaws.

(ii) Sale or closure of any of the Hospitals;

(iii) Adoption of a plan of dissolution for the Corporation;

(iv) Sale or other transfer of all or substantially all of the Corporation's assets;

(v) Entering into a plan of merger or consolidation of the Corporation with or into an unrelated entity;

(vi) Incurrence of any indebtedness, guarantees, or capital lease obligations exceeding \$100 million in the aggregate during any fiscal year, other than trade payables and other short-term liabilities in the ordinary course of business;

(vii) Discontinuation of major service lines where any such discontinuation would render the service unavailable in that community.

(viii) Any decision to file a petition requesting or consenting to an order for relief under the federal bankruptcy laws, or other actions with respect to the Corporation or any member of its obligated group as a result of insolvency or the inability to pay debts generally as such debts become due.

Section 6. Meetings. The Board of Directors shall hold an annual meeting in the month of June of each year. The Board shall hold regular meetings on not less than a quarterly basis. Special meetings shall be held as called by the Executive Chair/President or the Vice Chair/Lead Independent Director, or as requested by any three (3) directors in writing to the Secretary of the Corporation. Any actions of the Board of Directors to be taken at a meeting may be taken without a meeting if all voting directors consent in writing (which shall include electronic mail) to taking such action without a meeting. Directors may participate in any meeting of the Board of Directors by means of a conference telephone or similar communications equipment through which all persons participating in the meeting can hear each other. Participation by such means shall constitute presence in person at such meeting.

Section 7. Attendance Requirements. Each voting director shall be required to attend at least seventy-five percent (75%) of all scheduled meetings during any fiscal year (annual, regular, or special), unless otherwise excused by the Executive Committee. Failure to attend seventy-five percent (75%) of all scheduled meetings or failure to attend three (3) consecutive meetings shall constitute cause for removal as a voting director.

Section 8. Resignation. A director may resign at any time by delivering written notice of resignation to the Corporation's Secretary. Resignation is effective when notice is delivered unless the notice specifies a later effective date, in which case such date shall be the effective date.

Section 9. Confidentiality and Fiduciary Duty of Loyalty, Care and Obedience. Each director shall maintain the strict confidentiality of all information discussed or received in connection with any meeting of the Board of Directors and any committee meeting, whether such

information is oral, written or preserved in any other form. Unless otherwise expressly authorized by Board action or by the Executive Chair/President, or unless disclosure is otherwise made by the Corporation through authorized action such as approved press releases or public statements, no director shall disclose, discuss or otherwise disseminate any information relating to the actions, deliberations and decisions of the Board of Directors and any committee of the Board of Directors. In any situation where comment or discussion is permitted, such comment or discussion shall extend only so far as is consistent with the degree of authorization. Further, no director shall use any information gained through or in connection with his or her capacity as a director in any manner which might create, directly or indirectly, any form of personal benefit unless such usage is consistent with and done in compliance with the Corporation's policies regarding Conflicts of Interest. Each Director shall, at all times, exercise loyalty, care and obedience to the fiduciary responsibilities entrusted to the Director on behalf of the Corporation. Each director shall execute an annual written acknowledgement of his or her duties of confidentiality, loyalty, care and obedience and such acknowledgements shall be kept in the official records of the Corporation.

ARTICLE IV **OFFICERS OF THE CORPORATION**

Section 1. Officers. The officers of the Corporation shall consist of an Executive Chair/President, a Vice Chair/Lead Independent Director, a Chief Executive Officer (the "CEO"), a Secretary, a Treasurer, and such officers as the Board of Directors shall elect or appoint. The offices of Executive Chair/President, Vice Chair/Lead Independent Director, Secretary, and Treasurer shall be held by directors (collectively, the "Board Officers").

Section 2. Terms of Office. Except for the Executive Chair/President and the CEO, who shall each hold their offices for so long as their employment by the Corporation to serve in those positions continues, the Board Officers shall serve two (2) year terms. A Board Officer may serve no more than two (2) consecutive two (2) year terms in the same office. Nothing contained in these Bylaws shall be construed to constitute a contract of employment. Other than the limitations applicable to Board Officers, there shall be no limit as to the number of consecutive terms corporate officers may serve. Each Board officer shall hold office until his or her successor is duly elected and qualified.

Section 3. Election, Removal and Vacancies.

(a) Except as provided below, all officers of the Corporation shall be elected by, and shall serve at the pleasure of, the Board of Directors. Nominations for Board Officer positions shall be submitted by the Governance/Nominating Committee. Nominees for Board Officer positions shall be Directors. Removal of any officer shall be without prejudice to the contract rights, if any, of the officer; provided, however, that election of an officer itself shall not create any contractual rights.

(b) During the Integration Period, the successor to the person serving as the initial Vice Chair/Lead Independent Director shall be nominated by a majority vote of the Category W Directors, and elected by the non-management members of the Board of Directors. The individuals elected to serve as Treasurer and Secretary during the Integration Period shall be elected as follows: one from among the Category W members and one from the Category M members.

Section 4. Resignation. An officer may resign at any time by delivering written notice of resignation to the Corporation's Secretary. Resignation is effective when the notice is delivered unless the notice specifies a later effective date, in which case such date shall be the effective date.

ARTICLE V **POWERS AND DUTIES OF THE OFFICERS.**

Section 1. Executive Chair/President. The Executive Chair/President shall have the powers usually vested in the office of Chair of a Board of Directors, the powers usually vested in the office of President of a Corporation, and as the most senior officer of the Corporation, shall have the powers and duties set forth in the written employment agreement entered into by the Corporation with the Executive Chair/President and any amendments thereto. He or she shall preside at all meetings of the Board of Directors, unless he or she is unable to attend. He or she shall see that all orders and resolutions of the Board of Directors are carried into effect. He or she shall perform all other duties required of him or her by the laws of the State of Tennessee. The Board of Directors shall periodically evaluate the performance of the Executive Chair/President in the context of the Corporation's progress toward and attainment of the Corporation's strategic and business goals and objectives as established from time to time by the Board. The Executive Committee, or another committee specifically appointed by the Board, shall conduct such performance reviews. The Executive Chair/President shall, at least annually, evaluate the performance of the CEO and the other officers reporting to him or her.

Section 2. Vice Chair/Lead Independent Director. In the absence or disability of the Executive Chair/President, the Vice Chair/Lead Independent Director shall exercise only those powers and shall perform only the duties of the Executive Chair/President with respect to the Executive Chair/President's role as the Chair of the Board of Directors, and not any of the powers and duties of the Executive Chair/President as the President and most senior officer the Corporation. Additionally, he or she shall have the duties set forth in Exhibit A attached hereto.

Section 3. Chief Executive Officer. The Chief Executive Officer (the "CEO") shall be appointed by Executive Chair/President. Any employment agreement with respect to the CEO shall be ratified by a majority vote of the Board of Directors. The Chief Executive Officer will report to the Executive Chair/President and shall have the powers and duties set forth in the written employment agreement entered into by the Corporation with the Chief Executive Officer and any amendments thereto. The CEO shall, at least annually, evaluate the performance of the officers reporting to him or her.

Section 4. Vice Presidents. To the extent any Vice President is to act as an officer of the Corporation, the Board of Directors shall confirm such responsibilities as an officer of the Corporation through resolution or other form of approval. Each such Vice President shall be responsible for executing and carrying out such duties, instructions, objectives and orders as may be established by the Executive Chair/President or CEO from time to time.

Section 5. Secretary. The Secretary shall cause to be kept the minutes of all meetings of the Board of Directors and of the Executive Committee. He or she shall cause to be given all notices provided for in these Bylaws. He or she shall have custody of the seal of the Corporation and shall affix the same, attested by his or her signature, to all instruments required to be under the seal of the Corporation. He or she shall have the duties, power and responsibilities of the secretary

of a Corporation under the laws of the State of Tennessee and shall perform such other duties as may be prescribed by the Board of Directors.

Section 6. Treasurer. The Treasurer shall be the official custodian of all funds and securities of the Corporation, and shall deposit, or cause to be deposited, same in such banks or other depositories as the Board of Directors may designate or approve. He or she shall have the duties, power and responsibilities of the treasurer of a Corporation under the laws of the State of Tennessee and shall perform such other duties as may be prescribed by the Board of Directors.

ARTICLE VI

SIGNATURE AND ENDORSEMENTS OF NOTES, CHECKS, ETC.

Section 1. Signatures. All notes, checks, bonds, and other promises to pay money shall be signed by an officer or other individual authorized by the Board of Directors.

Section 2. Endorsements and Sales of Securities. Checks, drafts, notes, and other negotiable instruments payable to the Corporation or to its order shall be endorsed for collection or deposit by an officer or other individual authorized by the Board of Directors. Stocks, bonds, or other securities owned by the Corporation may be sold or transferred upon signature of an officer or other individual authorized by the Board of Directors.

ARTICLE VII

COMMITTEES

Section 1. Designation. The Board of Directors may, from time to time, establish such standing and special committees as it deems advisable and in the best interests of the Corporation. All committee actions are advisory to the Board of Directors, unless the Board of Directors, through resolution, has delegated any authority to a committee it deems advisable; provided, however, that no committee may:

- (a) Take any action required by Article III, Section 6, to be taken by a super-majority vote of the Board of Directors;
- (b) Authorize distributions; or
- (c) Elect, appoint, or remove directors or fill vacancies on the Board of Directors or any committee thereof.

Section 2. Committee Members. Other than members of the Executive Committee, whose members shall be members of the Board of Directors, Board committees may be composed of non-directors. Members of a committee may be designated as voting or non-voting ex-officio members. The Executive Chair/President shall recommend committee members, and presiding officers/chairs, for standing committees annually for consideration by the Governance/Nominating Committee. The Governance/Nominating Committee shall consider the recommendations of the Executive Chair/President, and make nominations to the Board of Directors, which shall, by majority vote, elect the committee membership. Each committee member shall serve for a one (1) year term, or on such other basis and for such other terms as set forth by the Board of Directors. The Board of Directors may remove any committee member with or without cause. Vacancies on a committee, due to death, resignation, expiration of term, or removal shall be filled by the Board of

Directors in the manner prescribed in this section. Committee members shall serve until their successors are duly elected and qualified. For the initial committee appointments, the Governance/Nominating Committee shall ensure equal numbers of individuals from existing committees of the Boards of Directors of Wellmont Health Systems and Mountain States Health Alliance. For purposes of this section, initial committee appointments shall mean only the first appointment of the individual selected to serve upon the Closing Date and shall not apply to any vacancies thereafter.

Section 3. Voting and Quorum Requirements. Except as otherwise limited by the Board of Directors, all actions of a committee shall require the affirmative vote of a majority of the voting members of the committee at a meeting at which a quorum is present. A majority of the voting members shall constitute a quorum. Any actions of a committee to be taken at a meeting may be taken without a meeting if all voting members of the committee consent in writing, to include electronic mail, to taking such action without a meeting. Members may participate in any meeting of the Committee by means of a conference telephone or similar communications equipment through which all persons participating in the meeting can hear each other. Participation by such means shall constitute presence in person at such meeting. Each Committee shall hold such meetings as it deems appropriate, or as directed by the Board. Each Committee member shall be required to attend seventy-five percent (75%) of all scheduled meetings (regular or special) during any fiscal year, unless otherwise excused by the chair of the Committee. Failure to attend seventy-five percent (75%) of all scheduled meetings or three (3) consecutive scheduled meetings shall constitute cause for removal as a member of such Committee.

Section 4. Standing Committees. The Corporation's Board of Directors shall have the following standing committees: Executive; Audit and Compliance; Finance; Quality, Service and Safety, Executive Compensation, Community Benefit, Workforce and Governance/Nominating. The Board of Directors may establish such other committees as it deems necessary or appropriate from time to time. Committee Chairs shall be members of the Board of Directors. The Executive Chair/President and CEO may not serve as Chair of standing committees, except that as provided in subsection (a)(i) below the Executive Chair/President shall serve as the presiding officer of the Executive Committee. Non-voting ex-officio members may serve as Committee Chairs upon the conclusion of the Integration Period. Each standing committee and any committee created by the Board of Directors shall establish and maintain a charter describing its duties in detail, shall regularly review and propose revisions to its charter in light of industry best practices, and shall present such charter and any proposed revisions for review and approval by the Board of Directors.

(a) **Executive Committee.**

(i) **Composition.** The Executive Committee shall be comprised of both voting and non-voting members. The voting members shall be the Executive Chair/President, the Vice Chair/Lead Independent Director, the Treasurer, and the Secretary of the Corporation, and two at-large members. The CEO of the Corporation shall be a non-voting ex-officio member of the Executive Committee. The Executive Chair/President shall serve as the presiding officer of the Executive Committee. The initial at-large members of the Executive Committee serving during the Integration Period shall be one Class W Director and one Class M Director.

(ii) **Powers and Duties.** The Executive Committee shall have and exercise the full authority and have all the powers and duties of the Board of Directors except as otherwise limited by the Act, the Board of Directors, or these Bylaws. The Executive Committee may

transact the business of the Corporation in urgent situations during the periods between meetings of the Board of Directors; provided that any action taken shall not conflict with the policies and expressed wishes of the Board of Directors. Matters of major importance shall be referred to the entire Board of Directors unless the urgency of the situation does not permit delay. The Executive Committee shall report any action taken between meetings to the Board of Directors as soon as practicable.

(iii) **Review of Executive Chair/President.** The Executive Committee, or another committee as expressly determined by the Board of Directors, is charged with the responsibility of evaluating the Executive Chair/President. The Executive Compensation Committee shall be charged with the responsibility of approving the compensation of the Executive Chair/President. The Executive Committee shall provide its evaluation of the Executive Chair/President to the Executive Compensation Committee for its consideration, in addition to any other factors considered by the latter, in setting compensation of the Executive Chair/President. The Lead Independent Director shall ensure a mechanism is established for input by the full Board of Directors on the evaluation of the Executive Chair/President, and that feedback is provided to the Executive Chair/President. As it relates to his or her compensation or performance evaluation, the Executive Chair/President shall not participate in the evaluative deliberations of the Executive Committee or the Executive Compensation Committee other than to provide information, answer questions and receive feedback.

(b) **Audit and Compliance Committee.** The Audit and Compliance Committee shall:
(a) ensure the integrity of the Corporation's financial reporting and audit procedures, including engagement of an independent public accounting firm to conduct an annual certified audit and examination of the Corporation's financial reporting and controls; (b) ensure financial controls are adequate to protect the integrity of the Corporation's financial assets; (c) report, as needed, to the Board of Directors, any issues related to financial controls and recommend any changes deemed necessary by the committee; (d) monitor the Corporation's compliance program and make any recommendations related to compliance risk and (e) approve the compliance policies. The Corporation's Chief Compliance Officer and Senior Audit Director shall report jointly to the Executive Chair/President and to the Audit and Compliance Committee, and any reports shall be provided to both. The Audit Committee shall be comprised of membership that includes individuals with audit and public accounting experience. The Governance/Nominating Committee shall seek to nominate a Chair of the Audit and Compliance Committee who is experienced in accounting and audit oversight, subject to the requirement that committee chairs must be members of the Board of Directors. The membership of the Audit and Compliance Committee shall be constituted by individuals who are independent as defined by the IRS Form 990.

(c) **Finance Committee.** The primary responsibilities of the Finance Committee are to develop and recommend operating and capital budgets to the Board of Directors, and to monitor the ongoing financial performance of the Corporation.

(d) **Quality, Service and Safety Committee.**

(i) The Board of Directors has the ultimate responsibility for quality patient care and authority for maintaining a Performance Improvement and Risk Management Program. The Board of Directors may delegate certain functions of this program to the Executive Chair/President, or to the respective community boards of each hospital (the "Community Boards"), together with the authority for action under limitations described in this section. The Quality, Service and Safety

Committee is charged with the responsibility of ensuring these functions are administered, and reporting to the Board of Directors.

A. The Quality, Service and Safety Committee shall require the medical staffs and staffs of the various departments/services of the hospitals to implement and report on the activities and mechanisms for monitoring and evaluating the quality of patient care, for identifying and resolving problems and for identifying opportunities to improve patient care.

B. The Board of Directors, through the Quality, Service and Safety Committee, the Executive Chair/President and CEO, shall fully support performance improvement activities and mechanisms. The Board, through the Executive Chair/President, shall also provide for adequate resources and support systems for the performance improvement functions related to patient care and safety.

C. The Quality, Service and Safety Committee shall assess the effectiveness of the performance improvement program on an annual basis, and shall re-endorse or recommend revisions to the program as necessary. These recommendations shall be made to the Board of Directors, which shall timely consider the recommendations, and either endorse or make changes to the program.

(ii) The Medical Staffs of the various affiliated hospitals, through their elected officers, departments, committees, and individual members shall make a commitment to actively participate in the performance improvement program by developing indicators to be used for screening, evaluating and utilizing clinical judgment concerning identified problems or opportunities to improve care. Findings shall be reported to the Board of Directors through the Quality, Service and Safety Committee. Priority shall be given to those aspects of care which are high-volume, high-risk or problem-prone.

A. Department Chairmen are responsible for assuring the implementation of a planned and systemic process for monitoring and evaluating the quality and appropriateness of the care and treatment of patients served by the departments and the clinical performance of all individuals with clinical privileges in those departments. When important problems in patient care and clinical performance or opportunities to improve care are identified, action shall be taken and the effectiveness of such action taken evaluated.

B. The presidents of the respective medical staffs shall facilitate and coordinate medical staff involvement in the performance improvement program and shall serve as advisor to the respective Community Board on performance improvement matters.

C. The respective Community Boards may delegate oversight of the hospital-wide performance improvement program as it pertains to the medical staff to the executive committee of the medical staff.

(iii) The Executive Chair/President, through the CEO, is responsible for implementation of the performance improvement program as it concerns non-physician professionals and technical staff and patient care units. The Executive Chair/President shall actively support the performance improvement program by the provision of adequate resources.

(iv) The Executive Chair/President may delegate necessary functions to the CEO to ensure, system-wide, that all functions related to performance improvement, risk management and improvement in the clinical aspects of care are prioritized, performed, and that relevant information about the effectiveness of these functions is reported to the Quality, Service and Safety Committee.

(v) At all times during the Integration Period, the Chair of the Quality, Service and Safety Committee shall be a physician member of the Board of the Corporation.

(e) **Executive Compensation.** The Executive Compensation Committee shall be composed of members who are independent in accordance with Internal Revenue Service guidance for organizations that are exempt from federal income tax under Code Section 501(c)(3) and which provide hospital services or other health care services or serve as supporting organizations to tax exempt health care services providers. The Committee shall evaluate and approve compensation, and changes to compensation, for the Executive Chair/President. The Committee shall consider and approve the compensation for the Chief Executive Officer, any executive vice president or senior vice president based upon the recommendation of the Executive Chair/President. Evaluations by the Executive Chair/President or CEO of the performance of any executive vice president or senior vice president shall be made available if requested by the Executive Compensation Committee for its use in consideration of the recommended adjustment to compensation. In evaluating compensation, the committee shall satisfy the Rebuttable Presumption of Reasonableness standards as promulgated by the Internal Revenue Service as amended from time to time.

(f) **Community Benefit and Population Health.** The Community Benefit Committee's responsibilities shall include: (1) extending and strengthening the Corporation's community benefit programs and services, (2) review community benefit strategies and performance to assure adequate financial and human investments are maintained, (3) monitor the community benefit reporting to ensure integrity of the information, (4) ensure compliance with community benefit standards imposed by regulatory agencies, (5) ensure public recognition of community benefit activities and community value through periodic reports to the community, (6) review of population health initiatives, and (7) oversight of compliance by the Corporation with the terms of any Certificate of Public Advantage to which the Corporation is subject. The committee shall report its findings and recommendations to the Board.

(g) **Governance/Nominating Committee.**

(i) The Governance/Nominating Committee shall be responsible for ensuring there is an effective process for filling board and committee positions, and that timely recommendations are made for the Board of Directors to consider. This committee shall also consider, from time to time, issues of governance, including review of bylaws, rules, and regulations, and establishing governance goals. The Governance/Nominating Committee shall also consider and recommend education and other resources for enhancement of Board performance, and shall lead the annual Board self-evaluation. The Executive Chair/President shall be an ex-officio member of the Governance/Nominating committee. Upon the creation of vacancies on the Board or on committees of the Board, the Executive Chair/President shall collaborate with the members of the

Board of Directors to facilitate recommendations to the Governance/Nominating Committee for consideration. The Executive Chair/President shall not vote on matters relating to nominations, but may vote on governance matters.

(ii) At its discretion, the Governance/Nominating Committee shall evaluate the advisability of adding to the Board of Directors one additional voting director, who, among other qualifications as determined by the Governance/Nominating Committee, shall (i) be a nationally recognized, independent health care expert, (ii) not residing in the Northeast Tennessee or Southwest Virginia region, (iii) who provides incremental value to the Board of Directors through competencies or relationships not then available to the Board of Directors, and (iv) who has not been previously engaged by or with Wellmont Health System or Mountain States Health Alliance nor has been involved in a financial, business, investment or family relationship with the Executive Chairman/President or CEO of the health system (the “Additional Independent Director”). If the Governance/Nominating Committee determines that the Additional Independent Director is advisable, it shall undertake a search process to fill that position whose nomination the Governance/Nominating Committee is prepared to submit to the Board of Directors.

(h) **Workforce Committee**. The Workforce Committee shall provide recommendations to the Board of Directors on matters relating to the workforce of the Corporation, including, but not limited to, matters relating to: (1) implementation of workforce plans for recruitment and retention, (2) policies which support the workforce plan, (3) education and professional development of the clinical workforce, (4) competence of the workforce, (5) policies and practices related to a safe and productive workplace, (6) benefits, and (7) any opportunities related to the facilities of the Corporation becoming and remaining the health care workplace of choice.

Section 5. Clinical Council. A physician-led clinical council will be maintained, composed of independent, privately practicing physicians as well as physicians employed by the Corporation or its subsidiaries or affiliates. The Clinical Council will include representatives of management, but the majority will be composed by physicians. The Clinical Council will report to the Chief Medical Officer of the Corporation, or to the senior officer of the Corporation if there is no Chief Medical Officer. The Chair of the Clinical Council will be a physician member of the active medical staff(s) of one or more affiliated hospitals, will serve on the Quality, Service and Safety Committee of the Board, and will provide ongoing reports on the activities of the Clinical Council to the Board through the Quality, Service and Safety Committee of the Board. Among other duties assigned to it from time to time, the Clinical Council will endeavor to establish a common standard of care, credentialing standards, consistent multidisciplinary peer review where appropriate and quality performance standards. The Clinical Council will provide input on issues related to clinical integration, and shall support the goals established by the Board of Directors. The Clinical Council members serve at the pleasure of the Board of Directors and may be removed with or without cause.

ARTICLE VIII

MEMBER CORPORATION BOARDS

Section 1. Appointment. The Corporation is the sole member of Mountain States Health Alliance and Wellmont Health System (the “Subsidiary Corporations”). The Corporation’s Board of Directors shall also serve as the Board of Directors of each of the Subsidiary Corporations pursuant to the Amended and Restated Bylaws of each Subsidiary Corporation.

Section 2. Delegation of Authority. Subject to limitations prescribed exclusively by the Board of Directors, the board of directors of each Subsidiary Corporation shall perform the following duties: (i) oversee the relationship of each Hospital owned by the Subsidiary Corporation with its physicians and other medical providers, including administration of the credentialing and disciplinary process applicable to such Hospital's medical staff, (ii) assure compliance by the Hospitals owned by the Subsidiary Corporation with the accreditation standards promulgated by the Joint Commission, and (iii) govern the business and affairs of the Subsidiary Corporation, subject to the limitations set forth in these bylaws and the Articles of Incorporation the Subsidiary Corporation. The board of directors of each Subsidiary Corporation shall provide reports to the Board of Directors regarding actions taken pursuant to the delegation of duties specified above in a manner prescribed by the Board of Directors. The board of directors of each Subsidiary Corporation is authorized to exercise the powers, authority and responsibilities set forth in this Section 2 pursuant to this delegation by the Board of Directors of the Corporation. Any powers not specifically delegated in this Section 2 are reserved to the Board of Directors of the Corporation.

ARTICLE IX MISCELLANEOUS

Section 1. Corporate Seal. The Board of Directors may provide a seal for the Corporation in the form approved by the Board of Directors.

Section 2. Fiscal Year. The fiscal year of the Corporation shall begin on the first day of July of each year.

ARTICLE X NOTICE

Whenever under the provisions of the Act, the Charter, or these Bylaws notice is required to be given to any director, officer, or committee member of the Corporation, it shall not be construed to require personal notice, but such notice, unless required to be in writing, may be given by telephone or electronic mail and, if given in writing, may be given either personally or by facsimile, or by depositing the same in a post office or letter box in a postpaid, sealed wrapper., in either case addressed to such director, officer, or committee member at his or her address as the same appears in the records of the Corporation; and the time when the same shall be so mailed or faxed, shall be deemed to be the time of the giving of such notice.

ARTICLE XI INDEMNIFICATION

Section 1. Indemnification of Officers and Directors. The Corporation shall indemnify an individual made a party to a proceeding, criminal or civil, because he or she is or was an officer or director (whether voting or non-voting) of the Corporation, including a director of a Hospital Board, against liabilities and expenses incurred in the proceeding to the fullest extent permitted by the Act. The Corporation shall make advances for expenses incurred or to be incurred in the proceeding as provided for in the Act.

Section 2. Indemnification of Employees and Agents. The Corporation may indemnify an individual made a party to a proceeding, criminal or civil, because he or she is or was an employee or agent of the Corporation against liabilities and expenses incurred in the proceeding

to the extent determined appropriate by the Board of Directors consistent with the provisions of the Act. The Corporation may make advances for expenses incurred or to be incurred in the proceeding to the extent determined appropriate by the Board of Directors consistent with the provisions of the Act.

Section 3. Insurance. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Corporation (including a director of a Hospital Board), or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another Corporation, partnership, joint venture, trust, or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power or would be required to indemnify him or her against such liability under the provisions of this Article.

Section 4. Nonexclusivity. The rights of indemnification and advancement of expenses granted pursuant to this Article shall not be deemed exclusive of any other rights to which an officer, director, employee, or agent seeking indemnification or advancement of expenses may be entitled, pursuant to the Act, Tennessee statutory or case law, the Corporation's Charter, these Bylaws, a resolution of the Board of Directors, or an agreement or arrangement providing for indemnification; provided, however, that no indemnification may be made to or on behalf of any officer, director, employee, or agent, if a judgment or other final adjudication establishes that such indemnification is prohibited by Section 48-58-502 of the Act or any successor statutory provision.

Section 5. Statutory Immunities. Nothing contained in this Article X shall be construed to prejudice or otherwise diminish the limitations, immunities and other protections available to the directors and officers of the Corporation (including a director of a Hospital Board) pursuant to Section 48-58-601 of the Act or any successor statutory provision.

ARTICLE XII **CONFLICTS OF INTEREST**

The Board of Directors shall adopt and maintain a Conflict of Interest Policy applicable to all members of the Board, Board Committees, Officers of the Corporation, and key management personnel. The policy shall require the annual completion and submission of an acknowledgement and disclosure statement, as well as a confidentiality agreement applicable to all business of the Board of Directors.

ARTICLE XIII **VOLUNTEER AND AUXILIARY ORGANIZATIONS**

Volunteer and Auxiliary organizations may, with the approval of the Board of Directors of the Corporation, perform nonprofessional services within the affiliated entities which further the purposes and interests of the Corporation. Such volunteer organizations, in discharging their functions, shall cooperate closely with management of the affiliated entity and the Board of Directors or its designee. Such cooperation may include a requirement for production of reports or information relevant to the services and benefit being provided. The activities of the volunteer or auxiliary organizations shall, if the Corporation's Board of Directors deems proper and necessary, be carried out under bylaws adopted by such organizations, and such bylaws and any amendments thereto shall be subject to revision by, and approval of, the Board of Directors or its designee. The

Board of Directors may require Board of Directors approval of appointments to the Board of any Volunteer or Auxiliary Organization.

ARTICLE XIV **AMENDMENTS**

Section 1. Periodic Review of Bylaws. The Board of Directors shall cause these Bylaws to be reviewed annually to determine whether any amendments or revisions are necessary or desirable from a legal, regulatory or operational standpoint when considered in light of best industry or nonprofit organization practices. The Governance/Nominating Committee shall conduct such review and make recommendations to the Board of Directors..

Section 2. Amendments. Subject to Article III, Section 5 above, these Bylaws may be altered, amended, or repealed, and new Bylaws may be adopted, by the Board of Directors at any meeting, whether annual, regular, or special, by a majority vote of the voting directors serving on the Board of Directors. A full statement of the proposed amendment, or amendments, to these Bylaws shall be set forth in the notice of each such meeting.

ARTICLE XV **DEFINITIONS**

For purposes of these Bylaws, the following terms shall have the following meanings:

“Category J Directors” means those directors initially appointed jointly by Mountain States Health Alliance and Wellmont Health System pursuant to the Master Affiliation Agreement and Plan of Integration dated as of February 15, 2016, by and between Wellmont Health System and Mountain States Health Alliance (the “Affiliation Agreement”), and their successors as appointed in accordance with the Bylaws of the Corporation.

“Category M Directors” means those directors initially appointed by Mountain States Health Alliance pursuant to the Affiliation Agreement, and their successors as appointed in accordance with the Bylaws of the Corporation.

“Category W Directors” means those directors initially appointed by Wellmont Health System pursuant to the Affiliation Agreement, and their successors as appointed in accordance with the Bylaws of the Corporation.

“Closing Date” means of the closing date pursuant to the Affiliation Agreement.

“Integration Period” means the period beginning on the Closing Date and ending on the second anniversary of the Closing Date.

Exhibit A

Description of the Vice Chair/Lead Independent Director Position

Charter of the Vice Chair/Lead Independent Director

The Vice Chair/Lead Independent Director coordinates the activities of the other non-management Directors, and performs such other duties and responsibilities as the Board of Directors may determine.

The specific responsibilities of the Vice Chair/Lead Independent Director are as follows:

Presides at Executive Sessions

- Presides at all meetings of the Board at which the Executive Chair/President is not present, including executive sessions of the independent Directors.

Calls Meetings of Independent Directors

- Has the authority to call meetings of the independent Directors.

Conducts Evaluation of Executive Chair/President

- Ensures the Executive Committee, or another committee as determined by the Board, conducts an annual review of the performance of the Executive Chair/President, with such review being approved by the non-management members of the Board of Directors.
- Ensures annual compensation review of the Executive Chair/President by the Executive Compensation Committee upon the completion of the annual performance review of the Executive Chair/President.

Functions as Liaison with the Executive Chair/President

- Serves as liaison between the independent Directors and the Executive Chair/President.

Approves appropriate provision of information to the Board such as board meeting agendas and schedules

- Approves meeting information sent to the Board relating to agendas and actions items, including the quality, quantity and timeliness of such information.
- Setting the Board's approval of the number and frequency of Board meetings, and approves meeting schedules to assure that there is sufficient time for discussion of all agenda items.

Authorizes Retention of Outside Advisors and Consultants

- Authorizes the retention of outside advisors and consultants who report directly to the Board of Directors on board-wide issues upon approval of the Governance Committee.

ATTACHMENT F

SUPPLEMENT TO FORM 1023,
APPLICATION FOR RECOGNITION OF EXEMPTION

Filed on Behalf of

Newco, Inc.
EIN: 61-1771290

Part V: *Compensation and Other Financial Arrangements with your Officers, Directors, Trustees, Employees and Independent Contractors.*

5.a. Have you adopted a **conflict of interest policy** consistent with the sample conflict of interest policy in Appendix A to the instructions? If "Yes," provide a copy of the policy and explain how the policy has been adopted, such as by resolution of your governing board. If "No," answer lines 5b and 5c.

Yes. Attached is a copy of the Applicant's Conflict of Interest Policy which reflects the IRS Revised Model Conflicts of Interest Policy. The policy was adopted by the resolution of the Applicant's Board of Directors.

NEWCO, INC.
CONFLICT OF INTEREST POLICY

Article I
Purpose

The purpose of the conflict of interest policy is to protect the interest of Newco, Inc. (the "Corporation") when it is contemplating a transaction or arrangement that (a) might benefit the private interest of an officer or director of the Corporation, (b) might benefit another healthcare system in which an officer or director of the Corporation serves as an officer, director or manager (other than the healthcare system which directly employs such officer or director), or (c) might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Article II
Definitions

1. Interested Person

Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial, personal, or positional interest, as defined below, is an interested person. If a person is an interested person with respect to any entity in the health care system of which the Corporation is a part, he or she is an interested person with respect to all entities in the health care system.

2. Financial, Personal, or Positional Interest

A person has a financial, personal or positional interest if the person, directly or indirectly, through business, investment, or family:

- a. Has ownership or investment interest in any entity with which the Corporation has a transaction or arrangement,
- b. Has compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement,
- c. Has potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement; or
- d. Serves as a director, officer or manager of a healthcare system (other than the healthcare system which directly employs such person) which provides services that are similar to or competitive with those services that are non-exclusive services provided by the Corporation.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial, personal, or positional interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial, personal, or positional interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

Article III **Procedures**

1. Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial, personal, or positional interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists

After disclosure of the financial, personal, or positional interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest

- a. An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- b. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c. After exercising due diligence, the governing board or committee shall determine whether the Corporation can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Corporation's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement,

4. Violations of the Conflicts of Interest Policy

- a. If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis

for such belief and afford the member an opportunity to explain the alleged failure to disclose.

- b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV **Records of Proceedings**

The minutes of the governing board and all committees with board delegated powers shall contain:

- a. The names of the persons who disclosed or otherwise were found to have a financial, personal, or positional interest in connection with an actual or possible conflict of interest, the nature of the financial, personal, or positional interest, any action taken to determine whether a conflict of interest was present, and the governing board's or committee's decision as to whether a conflict of interest in fact existed,
- b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings,

Article V **Compensation**

- a. A voting member of the governing board who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation,
- b. 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.
- c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation, either individually or collectively, is prohibited from providing information to any committee regarding compensation.
- d. Physicians who receive compensation from the Corporation, whether directly or indirectly or 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.

Article VI
Annual Statements

Each director, principal officer and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:

- a. Has received a copy of the conflicts of interest policy,
- b. Has read and understands the policy,
- c. Has agreed to comply with the policy, and
- d. Understands the Corporation is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII
Periodic Reviews

To ensure the Corporation operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Corporation's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

Article VIII
Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, the Corporation may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

APPENDIX C

9. Description of Transaction. Attach as Appendix C a detailed description of the Transaction, including a detailed explanation of what is to be acquired by the Acquirer, what is to be retained by the Public Benefit Hospital, and plans for the resulting funds to be received by the Public Benefit Hospital. This should also include an analysis of the purchase price, based upon the Public Benefit Hospital's interpretation of the letter of intent or definitive contract. The analysis should begin with the Public Benefit Hospital's balance sheet, should consider the impact of any fund balances and/or liabilities to be retained by the resulting foundation, and end with a resulting fund balance for the proposed foundation to be created. This analysis should include reasonable estimates for any proposed purchase price adjustments called for in the letter of intent or definitive agreement. The objective of this analysis is to enable the Office of the Attorney General and Reporter to understand the pricing of the Transaction and the capitalization of any resulting foundation.

If the Transaction is a dissolution, include a detailed explanation of the purpose of the dissolution and how the Public Benefit Hospital's assets will be distributed.

Introduction and Background to Transaction

The Transaction is the culmination of what began as an internal evaluation by Wellmont Health System ("**Wellmont**") of its strategic and financial position, industry trends, and the organization's goals for the future of healthcare within its geographic service area. After a thorough evaluation, Wellmont's Board of Directors and leadership team ultimately determined that Wellmont's future would be best served through a strategic alignment with another healthcare system.

On January 9, 2014, Wellmont publicly announced that it would engage in a strategic options evaluation process to explore a potential partnership with another healthcare system. Mountain States Health Alliance ("**Mountain States**") immediately initiated an internal strategic review and retained Pershing Yoakley & Associates, PC to explore the potential partnership. After carefully studying a potential partnership with Wellmont, Mountain States concluded that a combination with Wellmont would be a beneficial and responsible course of action for Mountain States and the region it serves. The Mountain States Board of Directors decided that a Mountain States-Wellmont affiliation is the model that would most effectively maintain local governance, provide a unique opportunity to sustain and realign healthcare delivery for the residents of Northeast Tennessee and Southwest Virginia into a high quality and cost-effective system, provide an enforceable commitment to limit pricing growth, keep hundreds of millions of dollars in the region, and invest those dollars in the improved health of the region while also preserving local jobs. Mountain States and Wellmont share a common and unifying charitable mission to provide high quality affordable healthcare and healthcare-related services, to expand access to healthcare services, and to promote and improve the healthcare status of the communities they serve.

In April 2014, Wellmont began a strategic options process to further consider alternatives to fulfill its long-term healthcare mission through potential alignment options. Wellmont issued requests for proposals from organizations interested in strategic alignment and received substantial interest and a number of proposals from a variety of sophisticated health systems, including Mountain States. Based on inquiries, the health system issued twenty-two requests for proposals and received nine proposals from other health systems, including Mountain States. After more than a year of merger discussions, internal analysis within each system, thoughtful conversations in the community and unanimous votes by both boards to examine the Transaction, Mountain States and Wellmont entered into a term sheet in April 2015

to exclusively explore the creation of a new, integrated and locally governed health system that would be based on the combined Mountain States and Wellmont systems (the “**New Health System**”).

Following execution of the April 2015 term sheet, both parties worked in concert together and with their respective outside advisors and legal counsel to negotiate the Master Affiliation Agreement and Plan of Integration (the “**Affiliation Agreement**”) and related ancillaries to effect the Transaction and to form the New Health System.

Following unanimous approval by the respective Mountain States and Wellmont boards, the Affiliation Agreement was entered into effective February 15, 2016. In approving the Transaction, the respective boards each determined that the Transaction represents a unique and effective means to improve population health and patient outcomes, to increase access to quality healthcare and prevention services within their respective communities, and to improve healthcare value and address cost growth challenges presently affecting all healthcare providers but which are particularly acute within the substantially rural population served by Mountain States and Wellmont by achieving a level of efficiencies, opportunities for cost-savings and quality-enhancements that would not be possible without the Transaction.

Description of the Parties

The Public Benefit Hospitals

Mountain States is a Tennessee nonprofit, public benefit corporation with headquarters in Johnson City, Tennessee. Mountain States currently serves a multi-state service area with thirteen hospitals and related healthcare facilities, with a total of 1,669 licensed beds, located in northeast Tennessee and southwest Virginia, including the region’s only dedicated children’s hospital. Mountain States employs approximately 400 physicians and mid-level providers throughout the region and provides a wide array of acute, outpatient, and post-acute healthcare services. In November 2016, Mountain States publicly announced the signing of a letter of intent to acquire Laughlin Memorial Hospital, a not-for-profit full-service acute-care hospital located in Greeneville, Tennessee.

Wellmont is a Tennessee nonprofit, public benefit corporation with headquarters in Kingsport, Tennessee. Wellmont currently operates five acute care hospitals and one critical access hospital, with a total of 1,011 licensed beds, and provides healthcare services in northeast Tennessee and southwest Virginia through approximately 260 physicians and mid-level providers. Wellmont hospitals offer a broad scope of acute, outpatient, and post-acute healthcare services. In November 2016, Wellmont informed the Tennessee Department of Health that its board of directors had approved the acquisition by Wellmont of Takoma Regional Hospital in Greeneville, Tennessee, which is currently owned and operated by Adventist Health System.

Each of Mountain States and Wellmont is sometimes referred to herein as a “**Party**” or, collectively, the “**Parties**.”

The Acquirer

Newco, Inc. (“**Newco**”) is a newly formed Tennessee nonprofit public benefit corporation. At the closing of the Transaction, Newco will become the new corporate parent of the combined Mountain States and Wellmont systems and its name will be changed to Ballad Health. Newco will be governed by a board of directors (the “**Newco Board**”) and will have no members. Until the closing of the Transaction, Newco will operate under interim charter and bylaws and be governed by an interim board of directors and officers representing both Mountain States and Wellmont. Copies of these interim governance documents are provided in Appendix B. At this time, Newco has been incorporated solely in order to enable Newco to request recognition as an organization exempt from Federal income taxes under

Section 501(c)(3) of the Internal Revenue Code and to undertake other pre-closing administrative and organizational activities. The Internal Revenue Service has recognized the federal tax-exempt status of Newco. Except for such activities, Newco will not engage in any business activities prior to closing the Transaction.

Description of Transaction

The Transaction being submitted for review does not involve a public benefit hospital disposing of its assets to a for-profit or nonprofit organization. Rather, Mountain States and Wellmont, two public benefit hospital systems, will merge under the umbrella of Newco, a newly formed independent, public benefit nonprofit corporation. Mountain States and Wellmont will each retain its existing assets for nonprofit use, and no assets or funds will be transferred to for-profit control. The Parties are not exchanging any money as a purchase price, and, accordingly, there are no resulting funds received by either public benefit hospital system whose disposition must be accounted for.

Structure of the Transaction

The Transaction will be effected pursuant to the terms of the Affiliation Agreement. From a corporate transactional perspective, the Transaction is relatively simple. As stated above, the Parties will not transfer or dispose of any assets in the Transaction, and no consideration will pass between the Parties. Instead, pursuant to the Affiliation Agreement, at the closing of the Transaction each of Mountain States and Wellmont will amend its corporate charter so that Newco will become the sole corporate member of each of Mountain States and Wellmont. Mountain States and Wellmont will continue to exist as direct subsidiaries of Newco, and each of Mountain States and Wellmont will continue to maintain ownership of all of its respective services, products, and service locations.

In addition, the Newco charter and bylaws will be amended at closing as described in response to Question 7 in Appendix B, including to reflect the New Health System's post-closing name, Ballad Health. At closing, a new board of directors and executive management team will be established as further described below, and the boards of directors of Mountain States and Wellmont will be re-established with the identical post-closing board membership as Newco.

The organizational documents of Mountain States' and Wellmont's Affiliates and other subsidiaries will be modified and amended to the extent necessary to conform the articles of organization, charters, bylaws and operating agreements of such affiliates and subsidiaries and to establish an initial equal role for Mountain States and Wellmont in governance of each of them during the Integration Period, which is defined in Article XV of the Amended and Restated Bylaws of Newco, Inc. as the period beginning on the Closing Date and ending on the second anniversary of the Closing Date, and to establish and maintain the direct or indirect authority of the Newco Board over the subsidiaries (to the extent such authority was previously vested in Mountain States or Wellmont).

Subject to the provisions of any existing joint venture and other contractual agreements, the governing boards of all hospitals and other Affiliates will be appointed by, and serve at the pleasure of, the Newco Board. The Newco Board will have final authority to represent Newco's interest in any hospital, joint venture, or other partnership.

Assets to be Assigned and Retained

Because the Transaction is being structured as a combination of two existing public benefit hospital organizations, all current assets and business operations of Mountain States and Wellmont will be combined under the ownership of Newco, and all assets of the Parties will remain for nonprofit use. The Transaction will not result in any proceeds being received by either Mountain States or Wellmont or any of their Affiliates. There will be no resulting fund balance, and no foundation will be created or receive

purchase price proceeds in connection with the Transaction. Additionally, as described in more detail in the Parties' applications for the Certificate of Public Advantage and the Letter Authorizing the Cooperative Agreement, the Parties will invest all savings realized from efficiencies created by the merger in the communities and region that the New Health System will serve.

There is no "purchase price" or exchange of consideration based on any valuation of either Party and, therefore, no purchase price adjustments. The respective foundations of Mountain States and Wellmont will retain their respective funds as of the closing of the Transaction, and such funds will be used consistent with the intent of the original donors of such funds. More information regarding the Mountain States Foundation is provided in the responses to Questions 24 and 25.

In general, the Transaction will not affect the outstanding indebtedness of either Mountain States or Wellmont. Mountain States may be required to receive consents from certain of the financial institutions that hold bonds issued by conduit governmental bond issuers at Mountain States' request. The Affiliation Agreement provides that it is a condition to each Party's obligation to close the Transaction that the holders of such bonds waive any and all events of default resulting from or arising out of the Transaction. Upon closing of the Transaction, subject to the approval of the Newco board of directors, it is expected that Newco shall guarantee such tax exempt and taxable bond indebtedness of Mountain States and Wellmont as is necessary to result in an increase in the credit rating assigned by the three principal credit rating agencies to the aggregate outstanding bond indebtedness of all entities within the integrated healthcare system overseen by Newco. One of the tasks of the Integration Council is to evaluate the debt of each of the Parties and identify opportunities for cost savings with respect to the combined companies' borrowings.

State Regulatory Approvals

Closing of the Transaction is contingent on the approval of the State of Tennessee and the Commonwealth of Virginia, since Mountain States and Wellmont have traditionally been the only competitors for inpatient hospital services in their region and the Transaction could implicate federal antitrust laws,

The United States Supreme Court has determined that immunity from federal antitrust law (known as State action immunity) is available to non-State actors when: (1) such non-State actors carry on their activity pursuant to a clearly articulated policy of the involved State(s) to displace competition with State regulation of the activity to be carried on by non-State actors; and (2) such regulation displacing competition is actively supervised by the involved State(s). Both the State of Tennessee and the Commonwealth of Virginia have set out by statute a clear policy permitting, in certain circumstances, the displacement of competition with regulation by the State in the merger of hospital and other healthcare organizations, and both the State of Tennessee and the Commonwealth of Virginia have articulated by statute their intents to actively oversee and supervise any such merger they approve.

Mountain States and Wellmont have sought approval of their merger, pursuant to the statutory schemes of the State of Tennessee and the Commonwealth of Virginia, which would permit the displacement of competition that otherwise exists between Mountain States and Wellmont with regulation by both the State of Tennessee and the Commonwealth of Virginia. It is further the Parties' intent to submit the regulation of their merger to the active and continuing oversight of both the State of Tennessee and the Commonwealth of Virginia, in order to secure State action immunity from federal antitrust laws to the fullest extent permitted and required.

Accordingly, consummation of the Transaction is contingent on the granting of a Certificate of Public Advantage by the State of Tennessee and a Letter Authorizing Cooperative Agreement by the Commonwealth of Virginia, the applications for both of which were filed on February 16, 2016. A copy

of these applications is available for the review of the Office of the Tennessee Attorney General and Reporter and, accordingly, with permission from this Office, the applications have not been reproduced with this filing.

Post-Closing Governance

Board of Directors

Newco will be governed by a Board of Directors composed of members who will be appointed at the closing of the Transaction by Mountain States and Wellmont. Newco will manage and oversee all of the assets, ownership interests, subsidiaries, and controlled affiliated businesses currently owned or operated, in whole or in part, directly or indirectly, by the respective Parties immediately prior to the closing of the Transaction.

The Parties appointed Barbara Allen and Gary Peacock (current Mountain States directors), and Roger Leonard and Roger Mowen (current Wellmont directors) to serve as the Newco Board until the closing of the Transaction (the “**Interim Directors**”). As provided in the Affiliation Agreement, the Interim Directors appointed Alan Levine (currently the Chief Executive Officer of Mountain States) to serve as President of Newco and Alice Pope (then the Chief Financial Officer of Wellmont) to serve as the Secretary and Treasurer of Newco (the “**Interim Officers**”), in each case until the closing of the Transaction. Ms. Pope subsequently left to take a position in Arizona, and the Interim Directors appointed Bart Hove (currently the Chief Executive Officer of Wellmont) to serve as the Secretary and Treasurer of Newco. The Interim Officers will only take actions necessary to the completion of the Transaction and organization of Newco. At the closing of the Transaction the Interim Directors and the Interim Officers of Newco will submit their resignations.

Following the closing of the Transaction, Newco will be governed exclusively by the Newco Board, which will be a fiduciary board responsible for the delivery of quality care in consideration of the needs of the communities served by the system.

The Newco Board will be comprised of fourteen voting members, as well as two ex-officio voting members and one ex-officio non-voting member. Pursuant to the Affiliation Agreement, prior to the closing of the Transaction the Parties will each designate six members to serve on the initial post-closing Newco Board. Mountain States and Wellmont will jointly select two members of the initial post-closing Newco Board who will not be incumbent members of either Party’s board of directors. The two ex-officio voting members will be the New Health System’s Executive Chairman/President and the New Health System’s Chief Executive Officer. The New Health System’s Chief Executive Officer will serve for a period of two years from the closing, after which time he or she will rotate off the Newco Board and a new director will be nominated by the Wellmont-appointed members of the Newco Board and appointed upon an affirmative vote by a majority of the Newco Board, in accordance with Article III, Section 3(b)(ii) of the Amended and Restated Bylaws of Newco. The ex-officio non-voting member will be the then-current President of East Tennessee State University.

Executive Officers and Other Employees

The New Health System will be managed by an executive team, appointed by the Newco Board, and comprised of representatives from each organization serving in the following roles, as listed on Exhibit D-1 to the Affiliation Agreement: Executive Chairman/President Alan Levine, CEO Bart Hove, and Chief Operating Officer Marvin Eichorn (currently Mountain State’s Chief Operating Officer). The Affiliation Agreement also named Alice Pope (then Wellmont’s Chief Financial Officer) as the Chief Financial Officer of the New Health System. Ms. Pope subsequently left to take a position in Arizona in

May 2016. Therefore, the Parties intend to identify a new Chief Financial Officer prior to closing the Transaction. Other senior management positions will be determined at a later date.

After the closing, all active employees of the Parties will continue their employment at-will upon substantially similar terms and conditions with respect to the base salaries and wages, job duties, titles, and responsibilities that are provided to such employees immediately prior to closing, except that certain positions that are identified as synergies may be eliminated.

Standing Committees

The Newco Board will have a number of standing committees, including, but not limited to, the following committees:

Standing Committee:	Description:
Executive Committee	<p>The Executive Committee shall have the full authority of the Board of Directors, except as otherwise limited by law, the Board of Directors or the Bylaws. The Executive Committee may transact business of Newco in urgent situations during the periods between meetings of the full Board of Directors, provided that no action taken shall conflict with the wishes of the Board of Directors. Matters of major importance shall be referred to the entire Board of Directors unless the urgency of the situation does not permit delay. The Executive Committee shall report any action taken between meetings to the Board of Directors as soon as practicable.</p> <p>The Executive Committee is also responsible for evaluating and reviewing the compensation of the Executive Chair/President.</p> <p>The Executive Committee will be comprised of Directors only, with six voting members and one non-voting member. The Executive Chair/President, Vice Chair/Lead Independent Director, Treasurer, and Secretary and two at-large members will be voting members. The CEO of the Corporation shall be a non-voting ex-officio member. The at-large members shall initially be one Wellmont-appointed director and one Mountain States-appointed director.</p>
Audit and Compliance Committee	<p>The Audit and Compliance Committee is responsible for integrity of financial reporting and audit procedures, financial controls, monitoring compliance program, and compliance policies.</p> <p>The membership of the Audit and Compliance Committee shall include individuals with audit and public accounting experience, and may include persons who are not members of the Board of Directors.</p>
Finance Committee	<p>The Finance Committee shall develop and recommend operating and capital budgets to the Board of Directors and monitor the ongoing financial performance of Newco.</p> <p>The Finance Committee may include persons who are not members of the Board of Directors.</p>

Quality, Service, and Safety Committee	<p>The Quality, Service, and Safety Committee is charged with the responsibility of ensuring that the responsibility for patient care, performance improvement, and other functions delegated to local hospital community boards are administered and reported to the Board of Directors, which has ultimate responsibility for such oversight. The Quality, Service, and Safety Committee shall have responsibility for supporting and assessing the effectiveness of performance improvement programs.</p> <p>During the integration period, the Chair of the Quality, Service, and Safety Committee shall be a physician member of the Board of Directors. The Quality, Service, and Safety Committee may include persons who are not members of the Board of Directors.</p>
Executive Compensation Committee	<p>The Executive Compensation Committee shall evaluate and approve compensation and changes to compensation for the Executive Chair/President and shall consider and approve the compensation for the Chief Executive Officer and any Executive or Senior Vice President based upon the recommendation of the Executive Chair/President.</p> <p>The Executive Compensation Committee shall be composed of members who are independent in accordance with IRS guidance for organizations that are exempt from federal income tax under Code Section 501(c)(3) and that provide hospital services or other healthcare services or serve as supporting organizations to tax exempt healthcare services providers. The Executive Compensation Committee may include persons who are not members of the Board of Directors.</p>
Community Benefit and Population Health Committee	<p>The Community Benefit and Population Health Committee shall be responsible for the performance and funding of Newco's community benefit programs and services, monitoring community benefit reporting to ensure integrity of the information, ensuring compliance with community benefit standards imposed by regulatory agencies, ensuring public recognition of community benefits activities and community value through periodic reports to the community, reviewing population health initiatives, and oversight of Newco's compliance with the terms of any Certificate of Public Advantage to which Newco is subject.</p> <p>The Community Benefit and Population Health Committee may include persons who are not members of the Board of Directors.</p>
Governance/Nominating Committee	<p>The Governance/Nominating Committee shall be responsible for ensuring an effective process for filling board and committee positions and shall also be responsible for general issues of governance, including review of bylaws, rules and regulations, and governance goals. It shall also be responsible for board education initiatives and self-evaluations.</p>

The Governance/Nominating Committee may include persons who are not members of the Board of Directors. The Executive Chair/President shall be an ex-officio member of the Governance/Nominating committee who will not vote on nominations, but may vote on other governance matters.

Workforce Committee

The Workforce Committee shall provide recommendations to the Board of Directors on matters relating to the workforce of the Corporation, including, but not limited to, recruitment and retention, workforce policies, education and professional development of the clinical workforce, competence of the workforce, workplace safety, employee benefits, and any opportunities related to the facilities of the Corporation becoming and remaining the healthcare workplace of choice.

The Workforce Committee may include persons who are not members of the Board of Directors.

By closing, the Parties will mutually determine the individuals to serve as the initial members of each of these committees, and the Newco Board will appoint these individuals to committee membership.

Management Procedures

Newco will govern and oversee the operations of the previously separate Mountain States and Wellmont health systems. Subject to the provisions of any existing joint venture and other contractual agreements, the business and affairs of the New Health System will be governed exclusively by the Newco Board. The Newco Board will be responsible for ensuring the high quality delivery of healthcare and human services to the communities served by the New Health System and its Affiliates and other subsidiaries, with such responsibilities including, but not being limited to:

- Establishment, approval, and review of policies necessary for the governance of the New Health System, including delegations of authority; establishment and approval of the strategic plan; provision of quality patient care; and appropriate allocation of personnel, resources and assets;
- Establishment, approval, and review of policies and procedures, or the appropriate delegation of authority for such policies and procedures, for the effective delivery of healthcare services within the New Health System's affiliated hospitals and ancillary facilities, including appropriate medical staff bylaws and competency standards, nursing practice standards, and regulatory standards for care delivery;
- Approval of the New Health System annual operating budget;
- Approval of long-term capital expenditure budgets addressing the New Health System's anticipated capital needs;
- Regulatory review of the New Health System's financial performance vis-à-vis its annual operating budgets and capital budgets, and the adjustment or modification of such budgets from time to time as circumstances require;
- Establishment of policies sustaining performance improvement, risk management, and quality programs with appropriate assessment of effectiveness of each program;
- Regular review of the New Health System's Corporate Compliance Plan and its implementation and observance;
- Oversight of fulfillment of the community benefit purpose of the New Health System;

- At the end of the Integration Period of the parties' integration, conducting a review to determine whether retaining the Executive Chair/President and Vice Chair/Lead Independent Director structure, or converting to an independent Chair and Chief Executive Officer structure, is necessary or desirable in the best interest of the New Health System and its collective mission and purpose.

Generally, actions of the Newco Board will require the affirmative vote of a majority of the voting directors at a meeting at which a quorum is present. However, until the second anniversary of the closing, the following actions require the affirmative vote of a majority of directors then in office, including a majority of the directors appointed by Mountain States and a majority of the directors appointed by Wellmont:

- Amendments to the charter or bylaws of Newco, including amendments to the duties of the Executive Chair/President or the Vice Chair/Lead Independent Director as set forth in the Amended and Restated Bylaws of Newco;
- Sale or closure of any of the Parties' hospitals;
- Adoption of a plan of dissolution for Newco;
- Sale or transfer of all or substantially all of Newco's assets;
- Entering into a plan of merger or consolidation of Newco with or into an unrelated entity;
- Incurrence of any indebtedness, guarantees, or capital lease obligations exceeding \$100 million in the aggregate during any fiscal year, other than trade payables and other short-term liabilities in the ordinary course of business;
- Discontinuation of major service lines where any such discontinuation would render the service unavailable in that community; or
- Any decision to file a petition requesting or consenting to an order for relief under the federal bankruptcy laws, or other actions with respect to Newco or any member of its obligated group as a result of insolvency or the inability to pay debts generally as such debts become due.

Actions at Closing

If the State of Tennessee grants the Certificate of Public Advantage and the Commonwealth of Virginia grants the Letter Authorizing the Cooperative Agreement, the following actions will take place within five business days after all conditions to closing identified in the Affiliation Agreement have been satisfied:

- Newco charter will be amended as described in response to Question 7 on Appendix B;
- Newco bylaws will be amended and restated in the form attached to Appendix B (Exhibit C-4 to the Master Affiliation Agreement) to change the name of the corporation and identify the principal place of business;
- Initial post-closing Newco Board will be elected;
- Newco Board officers will be elected;
- Additional Newco officers, if any, and the New Health System initial management team will be elected;
- Wellmont Board of Directors will amend the Wellmont corporate charter to make Newco its sole member;
- Mountain States Board of Directors will amend the Mountain States corporate charter to make Newco its sole member;

- Newco will elect the initial post-closing Newco Board members as the post-closing Board of Directors of Mountain States and Wellmont;
- Transaction will close, and the New Health System will begin operations under the name “Ballad Health.”

Post-Closing

To ensure continuity in the workforce, the Affiliation Agreement provides that all active employees of Mountain States, Wellmont, and their Affiliates and subsidiaries will continue their employment at-will after closing (except for some senior executive officers, who may continue under new employment agreements). The terms of such employment will be substantially the same with respect to wages, job duties, titles, and responsibilities. However, the New Health System, post-closing, may identify certain positions that are redundant and may be eliminated. Additionally, all members of the medical staff of both Mountain States and Wellmont will maintain their privileges after closing. All medical staff bylaws will remain in effect after closing. All contracts with Mountain States, Wellmont, and their affiliates with physicians, including employment agreements, in effect as of closing will be performed by the New Health System in accordance with their terms. Moreover, the New Health System will initially maintain joint ventures, affiliations, and other outsourced contracts and relationships in effect as of closing. After closing, the New Health System will evaluate these arrangements in terms of the larger health system and determine if any changes need to be made in order to optimize the system’s structure.

More information on the Transaction’s effect on the availability of healthcare services is provided in response to *Question 31*. An extended discussion regarding the Transaction’s benefits and advantages to the public related to population health, access to healthcare and prevention services, and health care operating costs is included in the application to the Tennessee Department of Health for a Certificate of Public Advantage, which application has previously been filed with the Tennessee Attorney General’s Office.

APPENDIX D

10. Description of Negotiations of the Transaction. Attach as Appendix D a detailed description of all discussions and negotiations between the Public Benefit Hospital and the Acquirer resulting in the Transaction. This response should include a summary outline in date sequence of any and all meetings held with the following parties with respect to the Transaction:

- a. With the Public Benefit Hospital's financial advisors, investment bankers or other Experts related to the Transaction (including, but not limited to, management, committees of the board of directors or meetings of the full board);**
- b. With prospective purchasers, networkers, merging partners of the Public Benefit Hospital (or substantially all of the Public Benefit Hospital), together with a brief summary of the results of such meetings;**
- c. With the Acquirer; and**
- d. With other parties deemed significant to the Transaction (including, but not limited to, outside Experts or other consultants).**

Mountain States and Wellmont have been negotiating and planning the Transaction for approximately two years, and those discussions have involved a significant number of people. Wellmont initially went through a detailed internal strategic review process that culminated with the issuance of a Request for Proposals and the receipt and review of a number of proposals. Wellmont subsequently negotiated and executed a term sheet with Mountain States and then a definitive agreement with Mountain States.

Negotiation of Agreements

On January 9, 2014, Wellmont publicly announced it would engage in a strategic options evaluation process to explore a potential partnership with another healthcare system. The Mountain States Board of Directors immediately initiated an internal strategic review and retained Pershing Yoakley & Associates, PC to explore the potential partnership. In April 2014, Mountain States entered into a Non-Disclosure Agreement and met with Wellmont's management and independent advisor. Wellmont also provided to Mountain States a Confidential Partnership Memorandum about Wellmont and a formal request for proposal letter.

After carefully studying a potential partnership, the Mountain States Board of Directors concluded that a Mountain States-Wellmont affiliation would be the model that would most effectively maintain local governance, provide a unique opportunity to sustain and realign healthcare delivery for the residents of Northeast Tennessee and Southwest Virginia into a high quality and cost-effective system, provide an enforceable commitment to limit pricing growth, keep hundreds of millions of dollars in the region, and invest those dollars in the improved health of the region while also preserving local jobs. Mountain States and Wellmont share a common and unifying charitable mission to provide high quality affordable healthcare and healthcare-related services, to expand access to healthcare services, and to promote and improve the healthcare status of the communities they serve.

Accordingly, the Mountain States board decided that a combination with Wellmont would be a beneficial and responsible course of action for Mountain States and the region it serves and submitted a response in May 2014 to Wellmont's Request for Proposal from potential partners. Following an extensive review process by Wellmont, which included meetings between Mountain States and Wellmont's Special Strategic Options Committee and Board of Directors, Mountain States and Wellmont

executed on April 2, 2015, a non-binding Term Sheet, which included an agreed statement of Shared Vision and Guiding Principles (collectively, the “**Term Sheet**”), to exclusively explore the creation of a new, integrated, and locally governed health system. A copy of this Term Sheet is provided in Appendix G and a copy of the April 2, 2015 press release is included in Appendix N.

Following execution of the Term Sheet, the parties began negotiations of a formal agreement and on February 15, 2016, signed a Master Affiliation Agreement and Plan of Integration, a copy of which is provided in Appendix G.

Below is a timeline description of Mountain States’ activities related to the Transaction occurring during the timeframe before the Term Sheet was executed by Mountain States and Wellmont.

Date	Description
1/9/2014	Wellmont publicly announces it will engage in a strategic options evaluation process to explore a potential partnership with another healthcare system. A copy of the press release announcing this process is included in Appendix N. Mountain States begins an internal process of analyzing the impact of a potential partnership with Wellmont. Mountain States engages Pershing Yoakley & Associates, PC to explore the potential partnership.
3/28/2014	Original draft of Non-Disclosure Agreement between Mountain States and Wellmont is circulated between the parties. A copy of the original draft dated March 28, 2014 is included in Appendix G.
4/2/2014	Mountain States and Wellmont enter into a Non-Disclosure Agreement. A copy of the Non-Disclosure Agreement is included in Appendix G.
4/4/2014	Formal Request for Proposals is issued by Wellmont, accompanied by a Confidential Partnership Memorandum, including Appendices. Copies of each of these are included in Appendix G.
4/16/2014	Mountain States submits Response to Confidential Partnership Memorandum – Supplemental Information Request. A copy is included in Appendix G.
4/21/2014	Initial visit by Mountain States with Wellmont management and Kaufman Hall, prior to submitting RFP response.
5/6/2014	Mountain States submits its response to the Request for Proposal from Wellmont. A copy is included in Appendix G.
5/22/2014	Kaufman Hall sends a letter inviting Mountain States to participate in Phase II of the Evaluation. A copy of the letter is included in Appendix G.
6/2-4/2014	Mountain States submits its reference letters to Wellmont. Copies of the reference letters are included in Appendix G.
6/11/2014	Wellmont announces it has narrowed its consideration to six candidates. A copy of this announcement is included in Appendix N.
7/10/2014	Presentation by Mountain States to Wellmont Special Strategic Options Committee. The Mountain States presentation materials are included in Appendix G.
7/30/2014	Wellmont announces it has narrowed its consideration to three candidates. A copy of this announcement is included in Appendix N.
11/10/2014	Wellmont announces it has narrowed its consideration to two candidates. A copy of this announcement is included in Appendix N.
11/19/2014	Presentation by Mountain States to Wellmont Board. The Mountain States presentation is included in Appendix G.

Date	Description
4/2/2015	Mountain States and Wellmont execute a non-binding Term Sheet, which includes a statement of Shared Vision and Guiding Principles, to exclusively explore the creation of a new, integrated, and locally governed health system. A copy of the Term Sheet is included in Appendix G and a copy of the April 2, 2015 press release is included in Appendix N.

Affiliation Working Groups and Assistance of Consultants

Pursuant to the Term Sheet, the parties established two working groups in the spring of 2015 in order to prepare for the affiliation: the Joint Board Task Force (“**JBTF**”) and the Integration Council. Further details for both groups are set out in the Master Affiliation Agreement.

The purpose of the JBTF is to oversee the pre-closing activities of the Integration Council, which the Parties established as a nonexclusive way to prepare for integration. Master Affiliation Agreement § 9.01. The JBTF comprises an equal number of the Parties’ respective existing Board members and the CEOs of each Party, plus two additional members chosen jointly by the Parties and the incumbent president of East Tennessee State University. *Id.* The members of the JBTF are:

Current Mountain States Directors:

- Barbara Allen
- Bob Feathers
- Clem Wilkes, Jr.
- Gary Peacock
- Dr. David May
- Dr. David Moulton
- Alan Levine

Current Wellmont Directors:

- Roger Leonard
- Roger Mowen
- Keith Wilson
- Dr. Nelson Gwaltney (former member)
- Dr. Doug Springer
- Dr. David Thompson
- Bart Hove

Jointly Appointed Members

- David Golden
- Scott Niswonger

East Tennessee State University President:

- Brian Nolan

The Integration Council, which reports to the JBTF, was formed as a non-exclusive means to prepare the parties for integration. Master Affiliation Agreement § 9.02. The Integration Council was charged with retaining independent consultants to undertake a comprehensive analysis of the clinical, operational, and financial functions of Wellmont and Mountain States to (a) identify, substantiate, and quantify the cost-savings and quality-enhancement opportunities achievable specifically from the Parties’ affiliation

and (b) help establish a timeline and integration plan for realizing these opportunities. *Id.* The Affiliation Agreement requires the Integration Council to, before closing the Transaction:

- (1) Engage on a regular basis with the consultants for periodic reports on the consultants' analysis and supply information as needed to further the analysis, and prepare the Parties for integration to ensure a system approach that best serves the needs of the community and region based on objective information; and
- (2) Develop a draft New Health System policy outlining the process for consolidating services and facilities, which policy shall include, but not be limited to, cultural integration, timetables for actions, input from physicians impacted, and notices to staff and community. The draft policy will be subject to approval by the New Health System's Board of Directors.

Id. The members of the Integration Council are:

Mountain States:

- Marvin Eichorn (Co-Chair)
- Dr. Morris Seligman
- Lynn Krutak
- Tony Keck
- Dr. Sandra Brooks
- Tim Belisle

Wellmont:

- Eric Deaton (Co-Chair)
- Todd Dougan
- Dr. Robert Funke
- Dr. Dale Sargent
- Todd Norris
- Gary Miller

Alice Pope was a Wellmont-appointed member of the Council until her departure from the company on April 22, 2016.

The Integration Council is supported by seventeen Functional Teams, each of which is composed of four to ten individuals representing Mountain States and Wellmont. The Functional Teams, which are listed and described below, are focused on planning related to post-closing implementation of key operational functions:

- **Clinical Council:** Charged with (1) developing a strategy to reduce clinical variation and adopt evidence-based best practices system-wide and (2) defining the process for developing a consistent multi-disciplinary peer review process.
- **Efficiencies Management:** Charged with developing a list of efficiencies and developing a process to track efficiencies, and charged with evaluating physician efficiencies and group purchasing organizations post-close.
- **External Affairs:** Charged with establishing a new name, website, strategy for branding, and communication strategy, assessing the foundation model for Newco, engaging in Certificate

of Public Advantage negotiations, and managing policy development and development of a government relations strategy post-close.

- **Finance and Accounting:** Charged with developing closing procedures and timelines around key finance areas, including a common platform through which consolidated financial statements will be produced, handling the organizations' change of control and address filings, and implementing a Charge Master process and strategy.
- **Governance:** Charged with managing governance aspects of integration.
- **Hospital Operations:** Charged with determining operational needs and developing processes and targets, understanding operational commitments, developing an inventory of services by facility, and placing and training leaders in key operational positions.
- **Human Resources:** Charged with developing system-wide onboarding and orientation processes, developing the payroll process, recommending a strategy for governance of retirement plans, analyzing benefits post-close and recommending changes as needed, and identifying a common platform for the future of Human Resources.
- **Information Technology:** Charged with conducting an inventory of major applications and identifying differences between Wellmont and Mountain States, developing processes for use of parallel systems (as needed), and conducting a security assessment and policy development post-close.
- **Legal:** Charged with managing legal aspects of integration.
- **Managed Care:** Charged with developing a form utilizing common data fields for sharing managed care contracts from day one and developing processes for post-closing merging of managed care contracts.
- **Physician Operations:** Charged with developing an inventory of services and systems, conducting a physician needs assessment and developing a resulting strategy post-closing, and developing a common physician and provider employment agreement for implementation post-closing.
- **Post-Acute Operations:** Charged with developing an inventory of services, locations and vendors, as well as a post-acute needs analysis, identifying needs of high-risk patients and potential issues and regulatory requirements, evaluating non-compete provisions for post-acute services, and developing and implementing strategies for growth in the post-acute space post-close.
- **Quality:** Charged with developing an inventory of vendors and a consolidation plan, assessing vendors for patient satisfaction and developing a strategy, evaluating and consolidating policies, and developing regulatory and data reporting and a quality scorecard.
- **Research and Academics:** Charged with developing an inventory of training programs and graduate medical education slots and developing a gap analysis of current research and academic programs and both organizations, and charged with developing a five-year plan for research and training programs.

- **Retail Operations:** Charged with developing an inventory of services, locations, and vendors and identifying gaps of services and developing responsive strategies.
- **Strategy:** Charged with developing facility service area definitions, evaluating commitments to determine day 1 implementation strategies, supporting the organization’s mission, and managing certificates of need and grants post-close.
- **Supply Chain:** Charged with developing a process for sharing all major contracts and a distribution model for day 1 and with evaluating group purchasing organizations and physician preference items post-close.

In addition to managing the Functional Teams, the Integration Council, pursuant to its charge in the Affiliation Agreement, also engaged the following consultants for analysis:

- **Accord Limited:** Analysis of the Parties’ governance structures;
- **Hay Group:** Cultural analysis of the Parties; and
- **Monigle Associates, Inc.:** Brand analysis, including selection of new system’s name.

The Parties also commissioned FTI Consulting, Inc. (“FTI”), an independent, nationally-recognized healthcare consulting firm, to advise the boards, the JBTF and the IC. FTI was engaged specifically to identify and quantify potential economies and efficiencies and certain quality enhancement opportunities that could be realized by the Transaction. A copy of the FTI Report is attached to this Appendix D.

Summary Outline of Meetings

The attached documents contain tables presenting a chronological outline and summary of meetings related to the negotiation and implementation of the Transaction by the Mountain States Board of Directors, Executive Committee and Finance Committee, the Joint Board Task Force, and the Integration Council. Relevant documents related to these meetings, including minutes, agendas, reports, and presentations, are provided in response to Question 18/Appendix J.

Index

*****Following Attachments are Confidential*****

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*****End of Confidential Attachments*****