

**BYLAWS
OF
BUTLER HEALTH SYSTEM**

**AMENDED:
December 7, 1995**

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TABLE OF CONTENTS

	<u>PAGE</u>
I. PURPOSE	1
1. General	1
2. Specific Purposes	2
II. BOARD OF TRUSTEES	3
1. Management	3
2. Composition of Board	3
3. Nominations and Election	3
4. Vacancies	4
5. Resignation or Removal and Attendance Requirements	4
6. Compensation of Trustees and Committee Members	4
7. Honorary Trustees	5
8. Conflicts of Interest	5
III. MEETINGS OF THE BOARD	6
1. Regular Meetings	6
2. Special Meetings	6
3. Notice of Board Meetings	6
4. Quorum	6
5. Adjournment	7
6. Board and Board Committee Action Without a Meeting	7
7. Minutes	7
IV. OFFICERS	8
1. Officers	8
2. Vacancies	8
3. Resignation or Removal of Officers	8
4. Chairman of the Board	8
5. Secretary	8
6. President	9
7. Other Officers	9

	<u>PAGE</u>
V. COMMITTEES OF THE BOARD	10
1. Committee Appointment	10
2. Committee Members' Term of Office	10
3. Committee Meetings	10
4. Resignation or Removal of Committee Members	10
VI. GENERAL	11
1. Fiscal Year	11
2. Execution of Instruments	11
3. Deposits of Funds	11
4. Subventions	12
5. Construction of Terms and Headings	12
VII. INDEMNIFICATION	13
VIII. DISSOLUTION	14
IX. AMENDMENTS	15

AMENDED AND RESTATED
BYLAWS OF
BUTLER HEALTH SYSTEM

The following constitutes the Bylaws of Butler Health System hereinafter referred to as "the Corporation," a nonprofit corporation organized under the laws of Pennsylvania.

ARTICLE I

PURPOSE

Section 1. General:

The Corporation is incorporated for charitable, scientific and educational purposes within the meaning of Section 501 (c)(3) of the Internal Revenue Code of 1986, or any corresponding provisions of any subsequent federal tax laws, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under said section. No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to any private individual, 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 purposes. No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, except as permitted by Section 501(h) of the Internal Revenue Code of 1986 or any subsequent federal tax laws. The Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision of these bylaws, the Corporation shall not carry on any other activities not permitted to be carried on by an organization exempt from federal income tax under Section 501(a) and described in Section 501(c)(3) of the Internal Revenue Code of 1986, or the corresponding provisions of any subsequent federal tax laws, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code of 1986 or the corresponding provisions of any subsequent federal tax laws (hereinafter referred to as "exempt organizations"). The Corporation does not contemplate pecuniary benefit or gain, incidental or otherwise.

Section 2. Specific Purposes:

The specific purposes of the Corporation shall be:

- (a) To carry on such community planning, fundraising and other activities related to the promotion of health of persons within the Corporation's service area, including the making of contributions to other exempt organizations organized for such purposes, which in the opinion of the Board of Trustees hereinafter referred to as the "Board," may be justified by the facilities, personnel, funds or other requirements that are or can be made available.
- (b) To engage in any and all activities consistent with and in furtherance of the above purposes.

ARTICLE II
BOARD OF TRUSTEES

Section 1. Management:

All powers of the Corporation shall be exercised by and under the authority of the Board of Trustees and the property, business and affairs of the Corporation shall be managed under the direction of the Board.

Section 2. Composition of Board:

- (a) The Board shall consist of not less than 12 nor more than 18 Trustees. In addition, the President of the Medical Staff of Butler Memorial Hospital shall be an *ex officio* Director, with vote. The exact number of Trustees shall be the number fixed from time to time by resolution of a majority of the Board. No decrease in the number of Trustees shall have the effect of shortening the term of any incumbent Trustee. At all times, at least 80% of the Trustees shall be residents of Butler County.
- (b) Any individual twenty-one years of age or older who has demonstrated awareness and support of the purposes and objectives of the Corporation shall be eligible to be elected as a Trustee.
- (c) To the extent possible, the number of elected Trustees will be evenly divided into three classes, with one-third elected for a term to expire in 1996, one-third elected for a term to expire in 1997 and one-third elected for a term to expire in 1998. Thereafter as the term of office of each Trustee expires, a successor shall be elected to hold office for a full term of three years commencing on January 1 of the year in which he is elected. Trustees shall be elected by a plurality of the votes cast in such election by the Board. Each Trustee shall hold office for the term for which he is elected and until his successor shall have been elected and qualified or until his earlier death, resignation or removal. No elected Trustee shall serve more than four consecutive full three-year terms, beginning with terms that commenced in 1996.

Section 3. Nominations and Election:

- (a) There shall be a Nominating Committee consisting of the Chairman of the Board, the President, and the President of the Medical Staff of Butler Memorial Hospital. This committee shall present to the last regular meeting of the Board in each calendar year a slate of suggested nominees for election to the Board at that meeting.

- (b) Only those nominees recommended by the Nominating Committee shall be eligible for election to the Board at that meeting.
- (c) The Nominating Committee shall also propose nominees to the Board for:
(1) officers of the Corporation, (2) any vacancy on the Board created by the resignation or removal of a Trustee, and (3) any other position in any other organization that this Corporation has the authority to fill.

Section 4. Vacancies:

Vacancies occurring on the Board including those by resignation or removal and any vacancy created by an increase in the number of Trustees shall be filled by the affirmative vote of a majority of the remaining Trustees, even though these remaining constitute less than a quorum of the Board. A Trustee elected to fill a vacancy shall be elected to hold office for the remainder of the original Trustee's term.

Section 5. Resignation or Removal and Attendance Requirements:

- (a) A Trustee may resign at any time by tendering his resignation in writing to the Chairman of the Board or the Secretary, which shall become effective upon receipt.
- (b) Trustees shall be expected to attend and participate in all Board meetings unless unavoidably prevented from doing so.
- (c) The Board may, by a two-thirds majority vote, remove any Trustee from office, with or without cause.
- (d) Resignation or removal as President of the Medical Staff shall also constitute resignation or removal as a Trustee. Resignation or removal as a Trustee shall also constitute resignation or removal as an officer of the Corporation.

Section 6. Compensation of Trustees and Committee Members:

Trustees and members of all committees shall receive no compensation for any services rendered in those capacities. However, nothing contained herein shall be construed to preclude any Trustee or committee member from receiving compensation from the Corporation for other services actually rendered or for expenses incurred for serving the Corporation or in any other capacity.

Section 7. Honorary Trustees:

The Board may from time to time elect certain individuals to be Honorary Trustees in recognition of meritorious or faithful service to this Corporation or in recognition of

distinguished achievement. Honorary Trustees may attend Board meetings on invitation of the Board but shall not vote or be counted towards a quorum, nor shall they have any other rights associated with Board membership.

Section 8. Conflicts of Interest:

Procedures and requirements governing conflicts of interest are set forth in the Conflict of Interest Policy which is attached to these bylaws.

ARTICLE III

MEETINGS OF THE BOARD

Section 1. Regular Meetings:

Regular meetings of the Board shall be held not less often than quarterly at such place and time as shall be designated by the Board. The last meeting of each calendar year shall be designated as the annual meeting of the Board. The Chairman of the Board or, in his absence, the President shall preside at all meetings of the Board.

Section 2. Special Meetings:

Special meetings of the Board may be called at any time by the Chairman of the Board or the President and shall be called upon receipt of the written request of any three or more Trustees. The business to be transacted at any special meeting shall be limited to those items of business set forth in the notice of the meeting.

Section 3. Notice of Board Meetings:

Trustees shall be given written notice of each meeting of the Board setting forth the time and place of the meeting and the matters of business to be transacted. Such notice shall be signed by the Secretary or an Assistant Secretary of the Corporation and delivered to each Trustee either personally or by mail or telegram to his residence or place of business as listed in the Corporation's records not less than five days prior to such meeting in the case of regular meetings and not less than 24 hours prior to such meeting in the case of special meetings. Business to be transacted at any regular meeting of the Board shall not be limited to those matters set forth in the notice of meeting. Notice of any meeting of the Board may be waived by the execution of a written waiver of such notice, either before or after the holding of such meeting by any Trustee. Such waiver shall be filed with or entered upon the records of the meeting. The attendance of any Trustee at any meeting without protest at the commencement of the meeting shall be deemed to be a waiver of notice of the meeting.

Section 4. Quorum:

A majority of the Trustees shall constitute a quorum for the transaction of business. In addition to those Trustees who are actually present at a meeting, Trustees shall be deemed as present at such meeting if a telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other at the same time, is used. The act of a majority of the Trustees present and voting at a meeting at which a quorum is present shall be the act of the Board.

Section 5. Adjournment:

After a quorum has been established at a meeting of the Board, the subsequent withdrawal of Trustees from the meeting so as to reduce the number of Trustees present to fewer than the number required for a quorum shall not affect the validity of any action taken by the Board at the meeting or any adjournment thereof. A majority of the Trustees present, whether or not a quorum exists, may adjourn any meeting of the Board to another time and place. Notice of any such adjourned meeting shall be given to the Trustees who are not present at the time of adjournment.

Section 6. Board and Board Committee Action Without a Meeting:

Any action which may be taken at a meeting of the Board or a Board committee may be taken without a meeting if, prior to such action, a consent in writing setting forth such action is signed by all of the Trustees or members of the committee, as the case may be, and is filed in the minutes of the proceedings of the Board or of the committee.

Section 7. Minutes:

Minutes of each meeting of the Board shall be taken by the Secretary or his designee and be disseminated to each Trustee as soon as practicable after the conclusion of the meeting.

ARTICLE IV

OFFICERS

Section 1. Officers:

The officers of the Corporation shall consist of the Chairman of the Board, the President, the Secretary, and such other officers as may be appointed pursuant to these bylaws. Such officers shall hold office until their death, resignation or removal. Unless otherwise specified in these bylaws, officers of the Corporation are required to be Trustees.

Section 2. Vacancies:

A vacancy in any office because of death, resignation or removal shall be filled by the Board for the unexpired term of such office.

Section 3. Resignation or Removal of Officers:

An officer of the Corporation may resign at any time by tendering his resignation in writing to the Chairman of the Board. The resignation becomes effective immediately upon receipt. Elected officers may be removed at any time with or without cause by a vote of not less than two-thirds of the whole number of the Board at any meeting of the Board. Appointed officers may be removed by the body or person who appointed them.

Section 4. Chairman of the Board:

The Chairman of the Board shall preside at all meetings of the Board and shall appoint all committees and their chairmen in accordance with these bylaws. The Chairman shall have such other duties and responsibilities as shall be delegated to him by these bylaws and by the Board from time to time. The Chairman shall be elected by a majority vote of the Board.

Section 5. Secretary:

The Secretary shall cause to be kept all of the records of the Corporation except the financial records, shall record the minutes of the meetings of the Board, send out all notices of meetings, attest to the seal of the Corporation where necessary or required, and perform such other duties as may be assigned by the Board or the Chairman of the Board. The Secretary shall also keep, or cause to be kept, a current register of the names and addresses of each Trustee.

Section 6. President:

The President shall be appointed by the Board and shall be the President and Chief Executive Officer of this Corporation. The President shall have all authority and responsibility necessary to operate the Corporation in all its activities and departments, similar to the chief executive officer of a business corporation, subject only to such policies as may be issued by the Board or its Executive Committee. The President shall perform the duties of the Chairman of the Board in the absence of the Chairman.

Section 7. Other Officers:

The President may appoint such other officers having such duties and responsibilities as the President shall deem advisable. Such officers need not be Trustees.

ARTICLE V

COMMITTEES OF THE BOARD

Section 1. Committee Appointment:

The Chairman of the Board shall appoint the members and the chairmen of such committees as are created by resolution of the Board. Unless otherwise specified, committee members may include persons other than Trustees.

Section 2. Committee Members' Term of Office:

Each member of a committee shall continue in office until his successor is appointed unless the committee of which he is a member shall be sooner terminated by the Board or until his death, resignation or removal, whichever first occurs.

Section 3. Committee Meetings:

Meetings of any committee of the Board may be called by the chairman of such committee by giving notice of such meeting, setting forth its time and place and delivered personally or by mail or telephone to the residence or place of business of the committee member as listed in the Corporation's records at least 24 hours prior to such meeting. Unless otherwise provided in these bylaws, committees shall meet at least quarterly, and a majority of the members of any committee shall constitute a quorum for the transaction of business. After a quorum has been established at a committee meeting, the subsequent withdrawal of committee members from the meeting so as to reduce the number of committee members present to fewer than the number required for a quorum shall not affect the validity of any action taken at the meeting. Each committee shall keep minutes of its meetings and report to the Board as necessary with recommendations.

Section 4. Resignation or Removal of Committee Members:

A member of any committee of the Board may resign at any time by tendering his resignation in writing to the Chairman of the Board or the Secretary. The Board may, by majority vote, remove any member from a committee of the Board, with or without cause.

ARTICLE VI

GENERAL

Section 1. Fiscal Year:

The fiscal year of the Corporation shall begin on the first day of July and end on the 30th day of June each year.

Section 2. Execution of Instruments:

- (a) Unless otherwise specifically determined by the Board or otherwise required by law, formal contracts of the Corporation, promissory notes, deeds of trust, mortgages and other evidences of indebtedness of the Corporation, and other corporate instruments or documents shall be executed, signed or endorsed by the President or such other officers or agents of the Corporation to whom the Board, by resolution, shall have delegated such power, and may have the corporate seal affixed thereto.
- (b) Endorsements for deposit of commercial paper to the credit of the Corporation in any of its duly authorized depositories may be made, without countersignature, by the President or such other officers or agents of the Corporation to whom the Board, by resolution, shall have delegated such power, or by hand stamped impression in the name of the Corporation.
- (c) All checks, drafts or other order for payment of money, notes, or other evidences of indebtedness, issued in the name of or payable to the Corporation, shall be signed or endorsed by the President or by such person or persons and in such manner as shall be determined from time to time by resolution of the Board.

Section 3. Deposits of Funds:

All funds of the Corporation shall be deposited from time to time to the credit of the Corporation with such banks, bankers, trust companies, or other depositories as the Board may select or as may be selected by the President or any other officer or officers, agent or agents of the Corporation to whom such power may be delegated from time to time by the Board.

Section 4. Subventions:

The Board may, on behalf of the Corporation, accept subventions to the Corporation and issue certificates therefor on terms and conditions not inconsistent with statutory provisions relating, to subventions.

Section 5. Construction of Terms and Headings:

Words used in these bylaws shall be read as the masculine, feminine or neuter gender, and as the singular or plural, as the content requires. The captions or headings are for convenience only and are not intended to limit or define the scope or effect of any provision of these bylaws.

ARTICLE VII

INDEMNIFICATION

- (a) Any person (or his estate, or its personal representative) made or threatened to be made a party to any action or proceeding, whether civil or criminal, by reason of the fact that he is or was a Trustee officer, employee or agent of the Corporation, or serves or served any other corporation or other entity or organization in any capacity at the request of the Corporation while he was a Trustee officer, employee or agent of the Corporation, shall be and hereby is indemnified by the Corporation.
- (b) Said indemnification shall be against all judgments, fines, amounts paid in settlement and reasonable expenses, including attorney's fees actually and necessarily incurred, as a result of any such action or proceeding, or any appeal therein, to the fullest extent permitted and in the manner prescribed by the laws of the Commonwealth of Pennsylvania as they may be amended from time to time, or such other law or laws as may be applicable to the extent such other law or laws is not inconsistent with the law of Pennsylvania.
- (c) The foregoing provisions of this Article shall be deemed to be a contract between the Corporation and each Trustee, officer, employee and agent of the Corporation in such a capacity at any time while this Article is in effect. Any repeal or modification of this Article or any applicable provision of the law of Pennsylvania shall not affect an rights or obligations then existing as it relates to any action or proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such state of facts. However, the right of indemnification provided in this Article shall not be deemed exclusive of any other rights to which any Trustee, officer, employee or agent of the Corporation may now be or hereafter become entitled apart from this Article.
- (d) No Trustee of this Corporation shall be personally liable for monetary damages as such for any action taken or for any failure to take any action unless:
 - (i) the Trustee has breached or failed to perform the duties of his office as set forth in applicable statutes (including, but not limited to 42 Pa. C.S. Section 8363) related to standard of care and justifiable reliance; and
 - (ii) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

ARTICLE VIII

DISSOLUTION

Upon the dissolution of the Corporation, the Board shall, after paying or making provision for the payment of all of the liabilities of the Corporation, distribute all of the assets of the Corporation for such charitable, educational or scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 or the corresponding provisions of any subsequent federal tax laws as the Board shall determine.

ARTICLE IX

AMENDMENTS

These bylaws and the articles of incorporation may be altered, amended, repealed or supplemented and new bylaws or articles may be adopted by a majority vote of the whole number of the Board at any meeting of the Board provided, however, that written notice of the proposed change shall have been given to the Trustees in the notice of the meeting.

BUTLER HEALTH SYSTEM
CONFLICT OF INTEREST POLICY

Section 1. Definitions

The following terms shall have the following meanings when used in this Policy:

- (a) "Affiliate" shall mean any organization that controls, is controlled by, or is related by common control to this Corporation.
- (b) "Board Committee" means any committee that has specific authority to take final action relative to the charitable, business or clinical aspects of this Corporation delegated to it by the Board or the Bylaws of this Corporation, as opposed to committees that are simply advisory.
- (c) "Board Member" shall refer to all Directors and Trustees of this Corporation, and members of all Board Committees, whether appointed, elected, or *ex officio*, and including, but not limited to, physicians.
- (d) "Compensation" shall mean any remuneration, whether direct or indirect, including any gifts or favors that are substantial in nature.
- (e) "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.
- (f) "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 a transaction or arrangement.
- (g) "Interested Person" shall mean any person who has a direct or indirect Financial Interest or Conflicting Interest.
- (h) "Key Management Personnel" shall mean the Chief Executive Officer of this Corporation, any managers who report directly to the Chief Executive Officer or the Board, or any other personnel so designated by the Chief Executive Officer.
- (i) "Person Covered by this Policy" shall mean every Board Member, every member of any Board Committee, all Officers of this Corporation, and all Key Management Personnel of this Corporation.

Section 2. Disclosure of Conflicting Interests

Every Person Covered by this Policy shall submit in writing to the Chief Executive Officer a Conflict of Interest Disclosure Statement listing all Financial and Conflicting Interests. Each Statement will be resubmitted with any necessary changes each year or as any additional Conflicting or Financial Interests arise. The Chairman of the Board shall become familiar with all such Disclosure Statements in case a conflict arise. The Vice Chairman of the Board shall be familiar with the Disclosure Statement filed by the Chairman.

Section 3. Procedure to be Followed at Meetings

Whenever the Board or Board Committee is considering a transaction or arrangement with an organization, entity or individual in which a Person Covered by this Policy has a Financial or Conflicting Interest, the following shall occur:

- (a) the Interested Person must disclose the Financial or Conflicting Interest and all material facts to the Board or Board Committee;
- (b) the Board Chair, the Board Committee or the Board may ask the Interested Person to leave the meeting during discussion of the matter that gives rise to the potential conflict. If asked, the Interested Person shall leave the meeting, but may make a statement or answer any questions on the matter before leaving;
- (c) the Interested Person will not vote on the matter that gives rise to the potential conflict; and

- (d) the Board or Board Committee must approve the transaction or arrangement by a majority vote of the Board Members present at a meeting that has a quorum, not including the vote of the Interested Person.

In addition, if an Interested Person has a Financial Interest in a transaction or arrangement that might involve personal financial gain or loss for the Interested Person, the following should be observed in addition to the provisions described above:

- (e) if appropriate, the Board or Board Committee may appoint a non-interested person or committee to investigate alternatives to the proposed transaction or arrangement;
- (f) in order to approve the transaction, the Board or Board Committee must first find, by a majority vote of the Board Members then in office, without counting the vote of the Interested Person, that the proposed transaction or arrangement is in the Corporation's best interest and for its own benefit and the proposed transaction is fair and reasonable to the Corporation and, after reasonable investigation, that the Corporation cannot obtain a more advantageous transaction or arrangement with reasonable efforts under the circumstances;
- (g) the Interested Person will not be present for the discussion or vote regarding the transaction or arrangement; and
- (h) the transaction or arrangement must be approved by a majority vote of the Board Members, not including any Interested Persons.

Section 4. Minutes of Meetings

Minutes of all Board and Board Committee Meetings shall include the following:

- (a) The names of the persons who disclosed Conflicting or Financial Interests, the nature of the Conflicting or Financial Interests and whether the Board determined there was a conflict of interest; and
- (b) The names of the persons who were present for discussions and votes relating to the transaction or arrangement; the content of these discussions, including any alternatives to the proposed transaction or arrangement; and a record of the vote.

Section 5. Dissemination and Acknowledgment of Policy

- (a) This policy shall be distributed to all Persons Covered by this Policy.

- (b) Each Person covered by this Policy shall sign an annual statement that the person:
 - (i) Received a copy of the Policy;
 - (ii) Has read and understands the Policy;
 - (iii) Agrees to comply with the Policy;
 - (iv) Understands that the Policy applies to the Board and all Board Committees; and
 - (v) Understands that this Corporation and its Affiliates are organized to advance charitable purposes and that in order to maintain tax-exempt status, they must continuously engage primarily in activities which accomplish one or more tax-exempt purposes.

Section 6. Compensation Committees

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

Section 7. Periodic Reviews

To ensure that the Corporation operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- (a) Whether compensation arrangements and benefits are reasonable and are the result of arm's-length bargaining.
- (b) Whether acquisitions or other arrangements with providers result in inurement or impermissible private benefit.

- (c) Whether partnership and joint venture arrangements and arrangements with other organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the Corporation's charitable purposes and do not result in inurement or impermissible private benefit.
- (d) Whether agreements to provide health care and agreements with other health care providers, employees, and third party payors further the Corporation's charitable purposes and do not result in inurement or impermissible private benefit.

Section 8. Penalties for Non-Compliance

Failure to comply with this Policy shall constitute grounds for removal from office and, in the case of Key Management Personnel, termination of employment.