

**BYLAWS  
OF  
HAWAI'I PACIFIC HEALTH**

**(A HAWAI'I NONPROFIT CORPORATION)**

**ARTICLE I.  
NAME AND PRINCIPAL OFFICE OF CORPORATION**

**Section 1.1** **Name**. The name of this corporation (the “**Corporation**”) shall be “Hawai'i Pacific Health.”

**Section 1.2** **Offices**. The principal office of the Corporation is at 55 Merchant Street, 27<sup>th</sup> Floor, Honolulu, Hawai'i 96813. Said office may be changed, or the Corporation may have additional offices, as determined by the board of directors of the Corporation (the “**Board**”), from time to time.

**Section 1.3** **Seal**. The Corporation shall not have a seal.

**ARTICLE II.  
PURPOSES**

**Section 2.1** **Purposes**. The purposes of the Corporation are those purposes set forth in the Corporation's articles of incorporation (the “**Articles**”).

**ARTICLE III.  
MEMBERS**

**Section 3.1** **Membership**. The Corporation shall have no members.

**ARTICLE IV.  
BOARD OF DIRECTORS**

**Section 4.1** **Composition of Board**. The Board shall be comprised of fifteen (15) voting directors consisting of eight (8) community directors, six (6) physician directors, and the Corporation's Chief Executive Officer. The Board shall have the ability to temporarily increase the total number of directors on the Board to seventeen (17) voting directors with the addition of either two (2) community directors or one (1) community director and one (1) physician director in accordance with sections 4.1(a)(iii) and 4.1(b)(iv).

(a) **Community Directors**. The community directors shall consist of persons who are not physicians and are not employees of the Corporation. There shall be:

(i) two (2) community directors who are residents of Kauai; nominated by a nominating committee (the “**Kauai Nominating Committee**”)

comprised of: the Chief Executive Officer of Wilcox Memorial Hospital, a member of the Kauai Medical Clinic board of directors selected by that board, and a member of the Wilcox Memorial Hospital board of directors selected by that board; and elected pursuant to Section 4.3(b) of these Bylaws (the “**Wilcox Community Directors**”);

(ii) six (6) community directors who are community leaders in the state of Hawai‘i, nominated by the Governance & Nominating Committee, and elected pursuant to Sections 4.3(c) of these Bylaws (the “**At-Large Community Directors**”); and

(iii) up to two (2) community directors who are community leaders in the state of Hawai‘i, nominated by and elected pursuant to Section 4.3(d) of these Bylaws (the “**Flex Community Director**”). The Flex Community Director positions are intended to provide for temporary term overlap on the Board between either a Wilcox Community Director or an At-Large Community Director and that director’s intended replacement on the Board upon that director’s resignation or the expiration of that director’s term.

(b) **Physician Directors**. The physician directors shall consist of the following:

(i) two (2) physicians who are members of the medical staff of Straub Clinic & Hospital who are nominated by the Physician Advisory Committee of the Straub Clinic & Hospital medical staff as defined in the Straub Clinic & Hospital Bylaws (“**Straub PAC**”) and elected pursuant to Section 4.3(a) of these Bylaws (the “**Straub Physician Directors**”);

(ii) two (2) physicians who are members of the medical staff of Wilcox Memorial Hospital who are nominated by the Kauai Nominating Committee and elected pursuant to Section 4.3(b) of these Bylaws (the “**Wilcox Physician Directors**”);

(iii) two (2) physicians who are members of the medical staff of either Pali Momi Medical Center or Kapi‘olani Medical Center for Women and Children, and are nominated and elected pursuant to Section 4.3(c) of these Bylaws (the “**Kapi‘olani Physician Directors**”); and

(iv) one (1) physician who is a member of the medical staff of either Straub Clinic & Hospital, Wilcox Memorial Hospital, Pali Momi Medical Center or Kapi‘olani Medical Center for Women and Children, nominated and elected pursuant to Section 4.3(e) of these Bylaws (the “**Flex Physician Director**”). The Flex Physician Director position is intended to provide for temporary term overlap on the Board between either a Straub Physician Director, a Wilcox Physician Director or a Kapi‘olani Physician Director and that director’s intended replacement on the Board upon that director’s resignation or the expiration of that director’s term.

**Section 4.2 Qualifications.**

(a) **Resident of Hawai‘i.** Each director shall be a resident of the state of Hawai‘i; however, this residency requirement may be waived by the Board in accordance with the requirements of Section 4.2(f) of these Bylaws.

(b) **Criteria for Selection.** The selection of nominees to serve on the Board shall be based on established criteria approved by the Board from time to time. The Corporation shall seek candidates with expertise in one or more of the following or related fields: business, finance, law, medicine and civic affairs. In addition, each candidate should demonstrate as many of the following attributes as is deemed appropriate by the Board in each circumstance:

(i) Knowledge of the communities served by the Corporation and the health care needs of such communities;

(ii) Visibility in one or more charitable communities in the State of Hawai‘i;

(iii) Commitment to improvement and development of overall community health;

(iv) Possession of adequate time to serve diligently as a member of the Board of the Corporation;

(v) The ability to analyze health care issues, visualize possible outcomes, and utilize problem-solving techniques to reach desired outcomes;

(vi) The ability to cooperate with and show consideration for other directors and their points of view;

(vii) Willingness to undertake ongoing personal education about the changing health care system locally and nationwide; and

(viii) Willingness to attend a yearly director seminar.

(c) **Conflicting Positions.** No person shall be eligible to serve as a director of the Corporation if the holding of such position simultaneously with the holding of any other position contravenes the articles of incorporation, bylaws, or a board-adopted policy of the Corporation or an Affiliate.

(d) **Limitation on Number of Employee Directors.** Notwithstanding anything in these Bylaws to the contrary, for so long as the number of directors of the Corporation is fifteen (15), not more than seven (7) of the members of the Board may be persons who are employed by the Corporation or an Affiliate, and for so long as the number of directors of the Corporation is seventeen (17), not more than eight (8) of the

members of the Board may be persons who are employed by the Corporation or an Affiliate.

(e) **Limitation on Percentage of “Interested Persons”.**

Notwithstanding anything in these Bylaws to the contrary, not more than forty-nine percent (49%) of the members of the Board may be Interested Persons. “Interested Persons” means any person who has, directly or indirectly, through business, investment, or immediate family: (i) any ownership or investment interest in an entity with which the Corporation has a financial arrangement; or (ii) a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a financial arrangement.

(f) **Waiver of the Residency Requirement.** In addition to the qualifications set forth in this Section 4.2, the Board may elect a non-Hawai‘i resident to the Board if the Board finds that such person has a particular background or unique skills and/or knowledge such that his or her election to the Board will significantly broaden and enhance the Board’s overall function and breadth of experience. However, in applying this waiver, the Board shall be limited to not more than one (1) non-Hawai‘i resident director on the Board at a time. If this waiver is applied to elect a non-Hawai‘i resident to the any of the community director positions in section 4.1(a), that community director shall be expected to be a leader in their respective community, nationally or within their industry.

**Section 4.3 Nomination and Election.**

(a) **Straub Physician Directors.**

(i) The Straub PAC shall nominate the Straub Physician Directors. The Straub PAC shall nominate one (1) qualified individual for each available Straub Physician Director position on the Board. The name and qualifications of each nominee shall be presented by the Straub PAC to the Governance & Nominating Committee for consideration. The Governance & Nominating Committee shall have the option to accept or refuse such nomination. In the event that the Governance & Nominating Committee accepts such nomination, the Governance & Nominating Committee shall present the name and qualifications of such nominee to the Board. The Board shall either elect or refuse such nominee.

(ii) If the Governance & Nominating Committee or the Board refuses to accept or elect a nominee presented to it, the Straub PAC shall nominate another qualified individual and shall present the name and qualifications of such individual to the Governance & Nominating Committee for consideration. If the Governance & Nominating Committee accepts such nomination, the Governance & Nominating Committee shall present the name and qualifications of such nominee to the Board. If the Straub PAC nominates three (3) nominees and none of the three (3) nominees is elected to fill a single available Straub Physician Director position on the

Board, the three (3) nominees shall be presented directly to the Board, which shall elect one (1) of the three (3) nominees to fill such board position.

(b) **Wilcox Community and Physician Directors.**

(i) The Kauai Nominating Committee shall nominate the Wilcox Community Directors and the Wilcox Physician Directors. The Kauai Nominating Committee shall nominate one (1) qualified individual for each available Wilcox Community Director position and Wilcox Physician Director position on the Board. The name and qualifications of each nominee shall be presented by the Kauai Nominating Committee to the Governance & Nominating Committee for consideration. The Governance & Nominating Committee shall have the option to accept or refuse such nominee. In the event that the Governance & Nominating Committee accepts such nominee, the Governance & Nominating Committee shall present the name and qualifications of such nominee to the Board. The Board shall either elect or refuse such nominee.

(ii) If the Governance & Nominating Committee or the Board refuses to accept or elect a nominee presented to it, the Kauai Nominating Committee shall nominate another qualified individual and shall present the name and qualifications of such individual to the Governance & Nominating Committee for consideration. If the Governance & Nominating Committee accepts such nomination, the Governance & Nominating Committee shall present the name and qualifications of such nominee to the Board. If the Kauai Nominating Committee nominates three (3) nominees and none of the three (3) nominees is elected to fill a single available Wilcox Community Director or Physician Director position on the Board, the three (3) nominees shall be presented directly to the Board, which shall elect one (1) of the three (3) nominees to fill such board position.

(c) **Kapi'olani Physician and At-Large Community Directors.** The Governance & Nominating Committee shall nominate the Kapi'olani Physician Directors and the At-Large Community Directors. The Governance & Nominating Committee shall nominate one (1) qualified individual for each available Kapi'olani Physician Director position and one (1) qualified individual for each available At-Large Community Director position on the Board. The name and qualifications of each nominee shall be presented by the Governance & Nominating Committee to the Board for consideration. The Board shall either elect or refuse such nominee. If the Board refuses a nominee, the Governance & Nominating Committee shall present a new nominee.

(d) **Flex Community Director.** The nomination of Flex Community Directors shall follow the nomination process for either the Wilcox Community Director or At-Large Community Director in accordance with these Bylaws, depending on the future vacancy the Flex Community Director is intended to eventually fill.

(e) **Flex Physician Director.** The nomination of the Flex Physician Director shall follow the nomination process for either the Straub Physician Director,

Wilcox Physician Director or Kapi‘olani Physician Director in accordance with these Bylaws, depending on the future vacancy the Flex Physician Director is intended to eventually fill.

**Section 4.4 Election.** All directors shall be elected by the Board.

**Section 4.5 Term of Office.**

(a) **Staggered Terms/Length and Commencement of Term.** The Board shall be divided into three (3) groups so that the terms of directors are staggered. The regular term of office of an elected director shall be three (3) years; provided, however, an elected director shall remain in office after the expiration of his or her term until the commencement of his or her successor’s term. A director’s term of office shall begin on the first day of the month subsequent to the adjournment of the meeting of the Board at which he or she is elected, unless otherwise specified by the Board.

(b) **Cessation of Term.** Each elected director shall hold office until the commencement of his or her respective successor’s term as a director, unless sooner terminated upon such director’s resignation, death or removal. An ex officio director shall hold office so long as he or she holds the position which is the basis for such person’s directorship, unless sooner terminated pursuant to these Bylaws.

(c) **Successive Terms.** No elected director may serve on the Board for more than three (3) successive terms. Any term that is less than three (3) years or that commences prior to the effective date of these Bylaws shall not be considered a “term” for the purposes of this limitation.

**Section 4.6 Vacancies, Removal, Reduction and Resignation.**

(a) **Resignation.** A director may resign at any time by giving written notice to the Chair of the Board or the Secretary of the Corporation. A resignation is effective when the notice is delivered, unless the notice specifies a later effective date. If a resignation is made effective at a later date, the pending vacancy may be filled in accordance with these Bylaws prior to the effective date, provided that the successor does not take office until the effective date. Unless otherwise provided in the notice, acceptance of the resignation shall not be necessary to make it effective.

(b) **Removal for Cause.** Any director may only be removed “for cause” by the Board. Any director or directors whose removal is sought shall not be counted for purposes of calculating the majority vote or the required quorum for the vote. Without limitation, the following shall be considered “cause” for purposes of removing a director:

(i) A director’s act of moral turpitude;

- (ii) A director's failure to attend three (3) consecutive meetings;
- (iii) A director's violation of any corporate policy, including the Corporation's conflicts policy;
- (iv) With respect to any Wilcox Physician Director, such director ceases to be a member of the medical staff of Wilcox Memorial Hospital;
- (v) With respect to any Wilcox Community Director, such director ceases to be a resident of Kauai;
- (vi) With respect to any Kapi'olani Physician Director, such director ceases to be a member of the medical staff of either Kapi'olani Medical Center for Women and Children or Pali Momi Medical Center; or
- (vii) With respect to any Straub Physician Director, such director ceases to be a member of the medical staff of Straub Clinic & Hospital.

(c) **Filling Vacancy of Elected Director.** The remaining directors on the Board shall declare a vacancy on the Board whenever an elected director dies, resigns, or is removed. Any such vacancy shall be filled in the same manner that the original director was elected, subject to the provisions of these Bylaws relating to qualification, nomination, and selection. Each director so elected to fill a vacancy shall hold office until the end of the term of the director whose position became vacant.

(d) **Reduction.** No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

**Section 4.7 Responsibilities of Board.** The powers of the Corporation shall be vested in the Board, which shall have control over the management of the property, affairs and funds of the Corporation. It shall be the duty of the directors to conduct, manage and control the affairs and the business of the Corporation and to promulgate and enforce its rules and regulations in a manner that is consistent with law, the Articles and these Bylaws. The Board shall ensure that the Corporation and each Affiliate has capital as required under regulatory or financing documents.

**Section 4.8 Investments.** The Board may make all decisions regarding the investment of the assets of the Corporation, including investment in the securities of another corporation, either by direct purchase or otherwise. The Board may exercise any right to exchange bonds, notes, debentures, preferred stock or other securities which it owns or holds for common stock. The Board may pay any assessment necessary to protect the Corporation's interest in any other corporation.

**Section 4.9 Delegation of Authority.** The Board may delegate its authority to one or more agents or committees.

(a) **Scope.** Any resolution delegating authority shall state the purpose or purposes for which such authority is granted and may, but need not, specifically describe or limit the authority granted. If no limitation is imposed, the resolution shall be deemed to delegate whatever authority is reasonably necessary to carry out the purposes of the resolution.

(b) **Rescission of Delegation.** Any delegation of authority may be withdrawn or rescinded by the Board at any time, and no delegation of authority shall preclude the Board from exercising whatever authority is required to meet its responsibility for the conduct of the Corporation.

**Section 4.10 Conflict of Interest.** The Board shall adopt, and may amend, by resolution, a Policy of Conflicts of Interest and Conduct of Interested Persons of Hawai‘i Pacific Health and Nonprofit Affiliates (“**Conflicts Policy**”). No contract or transaction between the Corporation and one or more Interested Persons, as such term is defined in the Conflicts Policy, shall be void or voidable solely because such contract or transaction is between the Corporation and one or more Interested Persons, so long as such contract or transaction has been disclosed, discussed and voted upon in accordance with the procedures set forth in the Conflicts Policy.

**Section 4.11 No Salary For Service As Director.** No person shall be paid a salary or otherwise compensated for services as a director of the Corporation, except for reimbursement of reasonable expenses actually incurred for the benefit of the Corporation.

**Section 4.12 Directors Emeritus.** One or more distinguished person(s) may be appointed by the Board as a director emeritus.

(a) **Qualifications.** A director emeritus must have previously served as a director for a period of no less than (15) fifteen years on the board of the Corporation and/or of any of the following Affiliate entities: Kapi‘olani Health, Pali Momi Medical Center, Kapi‘olani Medical Center for Women and Children, Kauai Medical Clinic, Wilcox Memorial Hospital, or Straub Clinic & Hospital; provided, however, that no less than two (2) years shall have been previously served on the Board of the Corporation.

(b) **Term of Office.** The term of office for a director emeritus shall be for life, provided that the director may resign at any time pursuant to Section 4.6.

(c) **Responsibilities.** The office of director emeritus shall be without vote and an emeritus director may attend up to three (3) regular meetings of the Board per year. Attendance by a director emeritus at a meeting of the Board shall not be considered for purposes of determining a quorum under Section 5.3. At the request of the Chair, a



director emeritus may also assist the Board in such other capacities as may be deemed appropriate.

## ARTICLE V. MEETINGS OF THE BOARD OF DIRECTORS

**Section 5.1 Annual and Regular Meetings.** The Board shall hold an annual meeting and regular meetings. The frequency of regular meetings shall be determined from time to time by the Board.

(a) **Location.** Annual and regular meetings shall be held at the office of the Corporation or at such other place as designated by the Board.

(b) **Time.** The time of each annual and regular meeting shall be determined at or before the immediately preceding regular meeting or, if no time is so determined, by the Chair of the Board not less than seventy-two (72) hours in advance of such annual or regular meeting.

(c) **Notice.** If the time of an annual or regular meeting is set at or before the preceding meeting, no further notice to any director shall be required. If the time of the annual or regular meeting is set by the Chair of the Board, each director shall be given notice thereof, either orally, in writing, or by electronic mail, at least seventy-two (72) hours in advance, unless such notice is waived by all directors. If notice is given orally, the individual giving such notice shall memorialize the conversation by preparing and signing a written record summarizing the conversation, which written record shall be filed with the minutes of the annual or regular meeting. If written notice is given, it shall be mailed, postage prepaid, or delivered to the director's residence or regular place of business. Written notice given by mail is timely if it is mailed a reasonable time before the date and hour by which such notice is to be given. If notice is given by electronic mail, the individual sending such notice shall retain a written copy of the electronic mail message together with documentation of confirmation of the receipt of such electronic mail message (received either electronically or orally) signed by the individual. The failure of any director to be given or to receive such notice shall not invalidate the proceedings of any annual or regular meeting at which a quorum of the directors is present. Notice need not be given to any director who, either before or after the annual or regular meeting, submits a signed waiver of notice or who attends such annual or regular meeting without protesting prior to or at the meeting's commencement the lack of notice to the director.

(d) **Content of Notice and Meeting.** Notice of an annual or regular meeting need not specify the matters to be brought before such meeting. Any business of the Corporation may be transacted at such meeting.

**Section 5.2 Special Meetings.** Special meetings of the Board may be called by the Chair of the Board, or at the request of the Vice-Chair of the Board in the Chair's absence.

(a) **Location.** The location for holding any special meeting of the Board shall be at such place in the State of Hawai'i as may be fixed by the officer who calls the special meeting.

(b) **Time.** The special meeting shall be held at the time specified in the notice, but may not be sooner than twenty-four (24) hours after notice is given to each director unless all directors waive such twenty-four (24) hour requirement.

(c) **Notice.** Notice of any special meeting of the Board shall be given to each director either orally, in writing, or by electronic mail not less than twenty-four (24) hours in advance of the meeting. If notice is given orally, the individual giving such notice shall memorialize the conversation by preparing and signing a written record summarizing the conversation, which written record shall be filed with the minutes of the special meeting. If written notice is given, it shall be mailed, postage prepaid, or delivered to the director's residence or regular place of business. Written notice given by mail is timely if it is mailed a reasonable time before the date and hour by which such notice is to be given. If notice is given by electronic mail, the individual sending such notice shall retain a written copy of the electronic mail message together with documentation of confirmation of the receipt of such electronic mail message (received either electronically or orally) signed by the individual. The failure of any director to be given or to receive such notice shall not invalidate the proceedings of any special meeting at which a quorum of the directors is present. Notice need not be given to any director who, either before or after the special meeting, submits a signed waiver of notice or who attends such special meeting without protesting prior to or at the meeting's commencement the lack of notice to the director.

(d) **Content of Notice and Meeting.** Notice of a special meeting shall state the purpose for which the meeting is called. No business may be transacted at such meeting except that which is set forth in the notice, unless all directors are present at the meeting and all agree to the transaction of other business.

**Section 5.3 Quorum.** The presence in person of a majority of all of the directors on the Board (excluding vacancies and directors with a conflict of interest on the matter being considered by the Board) shall constitute a quorum for the transaction of business at any meeting of the Board. Notwithstanding anything herein to the contrary, if less than a quorum is present at a meeting, the majority of the directors present may adjourn the meeting.

**Section 5.4 Voting.** Each director shall have one (1) vote on each matter submitted to the vote of the Board. There shall be no cumulative voting. The act of the majority of directors present at a meeting at which (a) a quorum is present or (b) a quorum was present but no longer exists due to exclusion of directors who have a conflict

of interest, shall be the act of the Board, unless the act of a greater number is required by Hawai'i law, the Articles, these Bylaws, or the bylaws of any Affiliate pursuant to which the Board is acting. Notwithstanding anything in these Bylaws to the contrary, the directors present at a meeting at which a majority of all directors of the Board is initially present may continue to transact business and a quorum shall be deemed to exist, notwithstanding the withdrawal of directors, so long as any action taken is approved by at least a majority of the required quorum for such meeting.

**Section 5.5 Supermajority Voting.** Notwithstanding anything in these Bylaws to the contrary, the following acts shall require the affirmative vote of three-fourths (3/4) or more of the directors of the Board:

(a) **Sale, Lease or Exchange.** Any sale, lease, exchange, or other disposition of fifty percent (50%) of more of the amount of the Corporation's property and assets, as reported under generally accepted accounting principles, to an entity other than an Affiliate;

(b) **Merger with Non-Affiliate Corporation.** Any merger or consolidation of the Corporation with any entity other than an Affiliate;

(c) **Dissolution or Liquidation.** The dissolution or liquidation of the Corporation;

(d) **Dissolution or Liquidation of All Affiliates.** Any action by the Corporation directing or otherwise authorizing the dissolution or liquidation of all Affiliates;

(e) **Amendments to Organizational Documents.** Any amendments to the Articles or these Bylaws, except as set forth in Article IX of these Bylaws;

(f) **Resignation or Transfer of Membership.**

(i) The resignation or transfer of the Corporation's membership in Wilcox Memorial Hospital or Kauai Medical Clinic; or

(ii) The resignation or transfer of the Corporation's membership in Straub Clinic & Hospital;

(g) **Amendments to Affiliate's Organizational Documents.**

(i) Any amendment to the articles of incorporation or bylaws of Wilcox Memorial Hospital or Kauai Medical Clinic;

(ii) Any amendment to the articles of incorporation or bylaws of Kapi'olani Medical Center for Women and Children, Kapi'olani Medical Specialists or Pali Momi Medical Center.

(h) **Sale, Lease or Exchange of Affiliate.**

(i) Any sale, lease, exchange, or other disposition of fifty percent (50%) or more of the amount of the property and assets held by Wilcox Memorial Hospital, Kauai Medical Clinic, Wilcox Health Foundation, and G.N. Wilcox Health Center Properties (collectively, the “**Wilcox Organizations**”), as reported under generally accepted accounting principles, to any entity;

(ii) Any sale, lease, exchange, or other disposition of fifty percent (50%) or more of the amount of property and assets of Straub Clinic & Hospital, as reported under generally accepted accounting principles, to any entity that is not an Affiliate; or

(iii) Any sale, lease, exchange, or other disposition of fifty percent (50%) or more of the amounts of property and assets held by either Wilcox Memorial Hospital or Kauai Medical Clinic, as reported under generally accepted accounting principles, to any entity;

(i) **Merger, Consolidation, Dissolution or Liquidation of Affiliate.**

(i) The merger or consolidation of Wilcox Memorial Hospital or Kauai Medical Clinic with any entity;

(ii) The merger or consolidation of Straub Clinic & Hospital with any Affiliate or any entity that is not an Affiliate; or

(iii) The dissolution or liquidation of Wilcox Memorial Hospital, Kauai Medical Clinic, or Straub Clinic & Hospital;

(j) **Relocation of Straub Clinic & Hospital.** Any relocation of the clinic or hospital facilities owned and operated by Straub Clinic & Hospital;

(k) **Closure of Any Hospital or Clinic Affiliate.** The closure of any hospital or clinic facility operated by any Affiliate;

(l) **Sale, Lease, Transfer of Operations of Affiliate.** Any sale, lease, or transfer of operations or activities generating fifty percent (50%) or more of the total net revenues, as reported under generally accepted accounting principles, of Wilcox Memorial Hospital or Kauai Medical Clinic to any entity;

(m) **Conversion of Acute Care Hospital or Clinic Facility.**

(i) The conversion of any acute care hospital operated by any Affiliate into a non-acute care facility;

(ii) The conversion of the hospital operated by Wilcox Memorial Hospital into a facility no longer offering inpatient and outpatient services; or

(iii) The conversion of the clinic operated by Kauai Medical Clinic into a facility no longer offering medical services; or

(n) **Removal of Directors of Affiliates.** The removal by this Corporation of any director on the board of directors of Kauai Medical Clinic, Wilcox Memorial Hospital, or Straub Clinic & Hospital.

**Section 5.6 Telephone Conference.** Directors on the Board may participate in a meeting of the Board by means of a conference telephone or similar communication equipment provided that all persons participating in the meeting can simultaneously hear each other. Participation by this means shall constitute presence in person at a meeting.

**Section 5.7 Unanimous Written Consent.** Any action required or permitted to be taken by the Board may be taken without a meeting if all directors on the Board individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of the directors. Any certificate or other documents filed under law which relate to such action shall state that the action was taken by unanimous written consent of the Board without a meeting, and that the Bylaws authorize the directors to so act.

**Section 5.8 Proxy.** No director may exercise his or her rights and fulfill the responsibilities of his or her position as a director by proxy.

**Section 5.9 Presumption of Assent.** A director of the Corporation who is present at a meeting of the Board at which action on corporate matters is taken shall be presumed to have assented to the action taken unless the dissent or refusal to vote is entered in the minutes of the meeting or unless the director either files a written dissent to such action with the person acting as Secretary of the meeting before the adjournment thereof or forwards such dissent by certified mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

**Section 5.10 Voting As Member.** Any act of the Corporation taken while acting in its capacity as the member or owner of another organization shall be taken by the vote of a majority of directors of the Corporation present at a meeting at which a quorum is present, unless the act of a greater number is required by Hawai'i law, the Articles, these Bylaws, or such organization's organizational documents.

**Section 5.11 Executive Sessions.** Executive Sessions may be called during any regular meeting of the Board by the Chair or Vice Chair of the Board, the Corporation's Chief Executive Officer, or a majority of voting directors.

**ARTICLE VI.  
OFFICERS OF THE CORPORATION**

**Section 6.1 Officers.** The officers of the Corporation shall be the Chair of the Board, the Vice-Chair of the Board, the Treasurer, the Secretary, the President, the Chief Executive Officer, and the Executive Vice-President/Chief Financial Officer, as well as such Executive Vice-Presidents, Senior Vice-Presidents, Vice-Presidents, Assistant Secretaries, and any other officers as the Board may determine appropriate from time to time. Any additional person may be designated an officer of the Corporation by resolution of the Board.

**Section 6.2 Physician Officer.** One of the following officer positions shall be held by a physician: Chair, Vice-Chair, or Secretary of the Board.

**Section 6.3 Powers and Duties of Officers.**

(a) **Chair of the Board.** The Chair of the Board shall preside at all meetings of the Board at which the Chair is present, and shall perform such other duties and have such other powers as the Board may prescribe.

(b) **Vice-Chair.** In the absence or disability of the Chair, the Vice-Chair of the Board shall perform all of the duties of the Chair, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the Chair. In the event that the Vice-Chair is not available to so act, the Chair shall designate another member of the Board to act as the Chair in his or her absence. The Vice-Chair shall have such other duties from time to time as may be prescribed by the Board or delegated by the Chair.

(c) **Secretary.** The Secretary of the Board shall act as secretary of both the Corporation and the Board, and shall perform such duties and powers as the Board may prescribe.

(d) **Treasurer.** The Treasurer shall manage the cash and investments of the Corporation and shall perform such other duties and have such other powers as assigned to him/her by the Executive Vice-President/Chief Financial Officer.

(e) **President.** The President shall perform such duties and have such powers as the Chief Executive Officer and/or the Board may prescribe

(f) **Chief Executive Officer.** The Chief Executive Officer shall be the direct executive representative of the Board in the management of the Corporation. The Chief Executive Officer shall have and exercise general charge and supervision of the affairs of the Corporation, shall promote the relationship between the Corporation and the multi-corporate health care delivery system of which Corporation is a part, and shall perform such other duties as may be assigned to him or her by the Board.

(g) **Executive Vice-President/Chief Financial Officer.** The Executive Vice-President/Chief Financial Officer shall perform such duties and have such powers as the Chief Executive Officer and/or the Board may prescribe. The Executive Vice-President/Chief Financial Officer shall review the financial status of the Corporation and recommend fiscal policies to the President, Chief Executive Officer and the Board.

(h) **Executive Vice-Presidents, Senior Vice-Presidents, Vice-Presidents and Assistant Secretaries.** The Executive Vice-Presidents, Senior Vice-Presidents, Vice-Presidents, and Assistant Secretaries shall perform such duties and have such powers as may be assigned to each by the Chief Executive Officer.

#### **Section 6.4 Nomination and Appointment.**

(a) **Appointment of President, Chief Executive Officer.** The President of the Corporation and the Chief Executive Officer of the Corporation shall be appointed by the Board at each annual meeting of the Board, or earlier if necessary to fill a vacancy.

(b) **Appointment of Chair, Vice-Chair.** The Chair of the Board and Vice-Chair of the Board shall be appointed by the Board of the Corporation at each annual meeting of the Board, or earlier if necessary to fill a vacancy.

(c) **Nomination of Other Executive Officers.** The Chief Executive Officer shall nominate the Executive Vice-President/Chief Financial Officer, the Treasurer, the Secretary, the Executive Vice-Presidents, the Senior Vice-Presidents, the Vice-Presidents, and the Assistant.

(d) **Appointment of Other Executive Officers.** The Board shall appoint the Executive Vice-President/Chief Financial Officer, the Treasurer, the Secretary, other Executive Vice-Presidents, the Senior Vice-Presidents, the Vice-Presidents, the Assistant Secretaries, and any other officers of the Corporation at each annual meeting or such other time designated by the Board.

**Section 6.5 Term of Office.** The regular term of office of an officer of the Corporation shall be one (1) year. In the event that a quorum is not present at the annual meeting of the Board at which officers shall be appointed, such officers' terms shall continue until such time as the Board shall reappoint them to another term or appoint their replacements.

#### **Section 6.6 Removal and Resignation.**

(a) **Removal of President.** The President of the Corporation may be removed, with or without cause, by the Board.

(b) **Removal of Chief Executive Officer.** The Chief Executive Officer of the Corporation may be removed, with or without cause, by the Board.

(c) **Removal of Chair and Vice-Chair.** The Chair and Vice-Chair of the Board may be removed, with or without cause, by the Board.

(d) **Removal of Other Executive Officers.** The Executive Vice-President/Chief Financial Officer, the Treasurer, the Secretary, Executive Vice-Presidents, the Senior Vice-Presidents, the Vice-Presidents, and the Assistant Secretaries of the Corporation may be removed, with or without cause, by the Board of the Corporation, but only upon the recommendation of the Chief Executive Officer.

(h) **Resignation.** Subject to the provisions of any applicable employment agreement, any officer, other than the President and the Chief Executive Officer, may resign at any time by giving written notice to the Chief Executive Officer, or in the absence of a Chief Executive Officer, to the Chair of the Board. The President and the Chief Executive Officer may resign by giving written notice to the Chair of the Board. The resignation of any officer shall be effective upon delivery of notice, or at any later time specified in the notice. Unless otherwise provided in the notice, acceptance of the resignation shall not be necessary to make it effective.

(i) **No Prejudice.** The removal of any officer of the Corporation shall not prejudice the rights of any such officer under any contract with Corporation or the ability of any such officer of the Corporation who is a physician to return to clinical practice with any Affiliate.

**Section 6.7 Vacancies.** A vacancy in any office may be filled for the unexpired portion of the term in the manner that the original officer was appointed, subject to the provisions of these Bylaws relating to qualification. The Board may appoint a temporary officer to fill any vacancy created by the temporary inability of an officer to fulfill his or her responsibilities because of illness, temporary absence, or other reason acceptable to the Board. A temporary officer shall have all the powers and authority of the office to which he or she is appointed.

**Section 6.8 Authority and Liability.** No officer, committee or other person shall contract or incur any debts on behalf of the Corporation or in any way render it liable, unless authorized by the President, the Chief Executive Officer or the Board. No officer, committee or employee of the Corporation is authorized to promise moral or financial support from the Corporation to any charitable or other objective without the approval of the Board.

**Section 6.9 Salary for Service as an Officer.** No person, other than the President, Chief Executive Officer, Executive Vice-President/Chief Financial Officer, the Treasurer, the Secretary, the Executive Vice-Presidents, the Senior Vice-Presidents, the Vice-Presidents, and the Assistant Secretaries (collectively, the “**Executive Officers**”), shall be paid a salary or otherwise compensated for services as an officer of the



Corporation, except for reimbursement of reasonable expenses actually incurred for the benefit of the Corporation. Each Executive Officer may be paid a salary and be otherwise reasonably compensated by the Corporation, as determined by the Board of Directors or any committee designated by the Board of Directors. Nothing in this Section shall preclude the Corporation from providing to any person pension or retirement benefits arising out of or with respect to such person's employment relationship with the Corporation, subject to the applicable provisions of the laws of the State of Hawai'i and Section 501(c)(3) of the Internal Revenue Code.

## **ARTICLE VII. COMMITTEES OF THE BOARD OF DIRECTORS**

### **Section 7.1 Standing and Special Committees.**

(a) **Standing Committees.** The standing committees of the Board shall be the Finance Committee, the Compensation Committee, the Governance & Nominating Committee, the Patient Safety and Quality Committee and the Audit Committee. All other committees authorized by the Board shall be special committees. The Board shall appoint the Chair and members of all standing committees, except as otherwise provided herein. Members of standing committees shall serve for one (1) year.

(b) **Special Committees.** Special committees may be created and authorized by the Board for special tasks. Such special committees shall limit their activities to the accomplishment of the task for which they are created, and shall have no power to act except as specifically conferred to the committee by the Board. Upon completion of the task for which appointed, such special committees are automatically discharged.

(c) **Vacancies on Committees.** Vacancies on any committee shall be filled in the same manner as the original appointment.

(d) **Powers.** Each committee shall have whatever powers as are reasonably necessary to accomplish its purposes, subject to any limitations imposed by the Board, these Bylaws, or the applicable provisions of the laws of the State of Hawai'i. All committees shall be subject to control by the Board and shall have the authority delegated to them by the Board.

(e) **Meeting.** Each committee shall meet at least quarterly, unless otherwise specified by the Board or the Chair of the Board.

(f) **Calling Committee Meetings.** The meetings of any standing or special committee shall be held at the call of such committee's Chair, the Chair of the Board, or a majority of such committee members.

(g) **Quorum and Voting.** The majority of each committee's membership shall constitute a quorum. Unless otherwise specified in these Bylaws or by

the Board, the act of the majority of the members of any other committee present at a meeting at which a quorum is present shall be the act of such committee. Action may be taken by any committee without a meeting by unanimous consent in writing setting forth the action so taken signed by each member entitled to vote.

(h) **Telephone Conference.** Committee members may participate in a meeting of their committee by means of a telephone or similar communication equipment provided that all persons participating in the meeting can simultaneously hear each other.

**Section 7.2 Finance Committee.** The Finance Committee shall be composed of not less than three (3) members of the Board, at least one (1) of whom but less than a majority of whom shall be a physician director on the Board. The Finance Committee shall review annually the operational, cash flow and capital expenditure budgets of the Corporation and all of its Affiliates, and present its recommendations to the Board. The Finance Committee shall have such other powers and duties as may be delegated to it by the Board.

**Section 7.3 Compensation Committee.** The Compensation Committee shall be composed of not less than three (3) and not more than all of the community members of the Board. The Compensation Committee shall be responsible for determining all compensation paid to officers of the Corporation and to physicians employed by the Corporation or an Affiliate. The Compensation Committee shall have such other powers and duties as may be delegated to it by the Board.

**Section 7.4 Governance & Nominating Committee.** The Governance & Nominating Committee shall be composed of at least five (5) but no more than six (6) members of the Board, two (2) of whom shall be physician directors. As set forth in the Governance & Nominating Committee Charter, the Governance & Nominating Committee shall be responsible for matters of corporate governance and for nominating certain community members and physicians for election to the Board in accordance with the terms of these Bylaws.

**Section 7.5 Patient Safety and Quality Committee.** The Patient Safety and Quality Committee ("Committee") shall be composed, at a minimum, of the Corporation's Executive Vice President of Patient Safety and Quality Services (Chair), one Community Director selected by the Board (Vice Chair), the Corporation's President and CEO, the Corporation's General Counsel or his/her designee, and one Physician Director of the Board. Other staff may participate on an ad hoc basis as invited by the Chair.

The Committee is an interdisciplinary committee established by the Board for the purpose of monitoring and evaluating patient care and to identify, study and seek improvements in the patient care delivery process. The Committee shall act on behalf of the Board in promoting a pervasive culture of safety, personal and group responsibility, and world class quality utilizing best practices, increased communication, and teamwork. The goal is to create a system of effective patient safety throughout the Corporation by

integrating oversight of all patient safety, quality, performance improvement, patient relations, and risk management functions into a single, multidisciplinary leadership body.

The Committee will set corporate-wide goals in alignment with the Corporation's strategic plan. The Hospital Patient Safety & Quality Committees will report to the Committee.

The Committee will meet as often as the Chair determines. Working subcommittees may be established to further specific aspects of the Committee's charter. The Committee shall determine the make-up of each Subcommittee and determine its membership. Direction shall be given to each Subcommittee, which shall report back to the Committee.

All information related to patient care, including all assessments and studies, will be protected rigorously in regard to confidentiality and privileged information. Strict confidentiality will be maintained by carefully limited access to quality management data by authorized individuals only. The Committee and its subcommittees are quality assurance committees as defined in HRS §624-25.5 and HRS §663-1.7.

**Section 7.6 Audit Committee.** The Audit Committee shall be composed of at least three (3) community directors of the Board. Each Committee member shall be or must become financially literate within a reasonable period of time. At least one member of the Committee must have accounting or related financial management experience.

It is the responsibility of the Audit Committee to maintain free and open communication between the Committee, independent auditor, Internal Auditor and management of Hawai'i Pacific Health.

In discharging its role in the oversight of the financial statements and financial reporting processes, the systems of internal and financial controls, the internal audit function and the annual independent audit of Hawai'i Pacific Health's financial statements, the Committee and its Internal Auditor are empowered to investigate any matter brought to the attention of the Committee with full access to all books, records, facilities, and personnel of Hawai'i Pacific Health and the power to retain outside counsel, or other experts for this purpose, all at the expense of the organization.

It is the responsibility of the Committee to oversee the Organization's financial reporting process. While the Committee has the responsibilities and powers set forth in these bylaws, it is not the duty of the Committee to plan or conduct audits or to determine that Hawai'i Pacific Health's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management is responsible for the preparation, presentation, and integrity of Hawai'i Pacific Health's financial statements and for the appropriateness of the accounting principles and reporting policies that are used. The independent auditor is responsible for auditing those financial statements.

The Committee, in carrying out its responsibilities, shall evaluate whether management exhibits the proper “tone at the top” and fosters a culture and environment that promotes high-quality financial reporting and internal control. The Committee shall discuss and assess Hawai‘i Pacific Health’s policies with respect to risk assessment and risk management.

The following shall be the principal recurring processes of the Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate. The Committee shall have a clear understanding with management and the independent auditor that the independent auditor is accountable to the Committee. The independent auditors will report directly to the Committee. The Committee is responsible for selecting the independent auditor, subject to approval by the Hawai‘i Pacific Health Board. Once the audit firm is retained, the Committee is responsible for the arrangements for such retention. The Committee shall discuss with the audit firm its independence from management and Hawai‘i Pacific Health and shall consider the compatibility of nonaudit services with the auditor’s independence.

The Committee shall have a clear understanding with management and the Internal Auditor that the Internal Auditor is accountable to the Committee. The Internal Auditor shall report to the Chair of the Audit Committee and shall be employed by the organization consistent with Hawai‘i Pacific Health employment practices. For administrative purposes, the Internal Auditor shall have an indirect relationship with the President and Chief Executive Officer.

The Committee shall discuss with the Internal Auditor and the independent auditor the overall scope and plans for their respective audits, including the adequacy of staffing and compensation. Also, the Committee shall discuss with management, the Internal Auditor, and the independent auditor the adequacy and effectiveness of the organization’s accounting and financial controls. Further, the Committee shall meet separately periodically with the Internal Auditor, the independent auditor, and management, to discuss audit activities and results.

The Committee shall review with management and the Independent Auditor the financial statements, including their judgment about the quality, not just the acceptability of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. The Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditor under generally accepted auditing standards.

The Committee shall establish procedures for the receipt, retention and treatment of complaints received by Hawai‘i Pacific Health regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Committee shall also establish procedures to communicate to all employees the option of

submitting confidential concerns as to such matters directly to the Chair of the Committee.

The Audit Committee shall have such other powers and duties as may be delegated to it by the Board.

**Section 7.7 Records.** Each committee shall prepare and maintain minutes of its meetings, which shall be maintained with any other record of its activities by the Secretary of the Corporation. Each committee shall appoint a secretary as needed to carry out these tasks, unless these Bylaws or the Board provide otherwise.

**Section 7.8 Reports to Board.** All committees shall report their actions to the Board at the next regular meeting of the Board.

## **ARTICLE VIII. GENERAL PROVISIONS**

**Section 8.1 Books And Records.** The Corporation shall keep at its principal office a copy of the Articles and these Bylaws, as amended to date. In addition, the Corporation shall keep correct and complete books and records of accounts, and shall also keep minutes of the proceedings of the Board and committees having any of the authority of the Board.

### **Section 8.2 Checks, Deposits and Funds.**

(a) **Checks, Drafts and Funds.** All checks, drafts, or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by an officer or agent of the Corporation authorized to do so in accordance with resolutions of the Board then in effect, or, in the absence of such resolution, by any two (2) officers of the Corporation, provided that at least one of those officers shall be the President, the Chief Executive Officer, the Executive Vice-President/Chief Financial Officer, or the Treasurer. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board may select.

(b) **Contributions, Gifts, Bequests.** The Board may accept on behalf of the Corporation any contribution, gift, bequest or devise for the general purposes or for any special purpose of the Corporation.

**Section 8.3 Fiscal Year.** The Corporation shall operate on a fiscal year basis beginning on the first (1<sup>st</sup>) day of July of each year and ending on the thirtieth (30<sup>th</sup>) day of June of the following year.

**Section 8.4 Prohibitions and Authority.** The Corporation may not undertake any contract, transaction or act if such contract, transaction or act violates a proscription in the Articles or these Bylaws.

**Section 8.5 Loans to Directors and Officers Prohibited.** No loans shall be made by the Corporation to its directors or officers, and any director or officer who assents to or participates in the making of such loan shall be jointly and severally liable to the Corporation for the amount of the loan if it is not repaid by the borrower. For the purposes of this Section, any director who votes against the making of a loan shall be deemed not to have assented to or participated in the making of the loan.

**Section 8.6 Waiver.** Notwithstanding anything in these Bylaws to the contrary, whenever any notice is required to be given under the provisions of the Hawai'i Revised Statutes, the Articles or these Bylaws, a waiver thereof, in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

**Section 8.7 No Personal Liability.** No officer or director, or member of any committee of the Corporation shall, solely by reason of being or acting as such an officer, director or member of any committee, be personally liable for the acts of the Corporation, the Board, the Corporation's committees, officers, agents, employees or its medical, dental or allied health care staff.

**Section 8.8 Indemnification.** The Corporation shall indemnify, reimburse and defend any present or former director, officer, employee, or agent of the Corporation in the manner and to the extent provided in the Articles.

## ARTICLE IX. AMENDMENTS

### **Section 9.1 Amendment of Articles and Bylaws.**

(a) **Amendment in General.** Subject to the laws of the State of Hawai'i, the Articles and these Bylaws may be altered, amended or repealed from time to time by the Board only upon the affirmative vote of three-fourths (3/4) or more of the directors on the Board.

(b) **Amendment in Case of Wilcox Reacquisition.** In the event that, pursuant to the terms of the Merger Agreement between the Wilcox Health System and its affiliates and the Corporation, dated December 18, 2001, the directors of the Wilcox Memorial Hospital Board of Directors who reside on Kauai (at the time such vote occurs) vote to reacquire the assets of the Wilcox Organizations from the Corporation, the following shall occur:

(i) The Wilcox Community Directors and the Wilcox Physician Directors shall automatically be removed from the Board;

(ii) These Bylaws may be amended by a vote of a majority of a quorum of the Board to: (a) delete the Wilcox Community Directors and Wilcox

Physician Directors positions from these Bylaws; (b) change the total number of directors on the Board; and (c) make all other necessary revisions to remove all provisions relating to the Wilcox Community Directors, Wilcox Physician Directors, Wilcox Memorial Hospital, and/or Kauai Medical Clinic from these Bylaws.

(c) **Limitations.** Notwithstanding anything herein to the contrary, no amendment to the Articles or these Bylaws shall be made: (i) which would change the objects and purposes of the Corporation to include objects and purposes which would not be charitable, health care, scientific or educational; (ii) which would permit net earnings of the Corporation to inure to the benefit of any person, donor or private individual; or (iii) which would permit any transaction or activity not permitted to be conducted or carried on by an organization exempt under Section 501(c)(3) of the Internal Revenue Code and its regulations as they now exist or as they may hereafter be amended.

## **ARTICLE X. DEFINITIONS**

**Section 10.1 “Affiliate”.** The term “Affiliate” shall mean with respect to any corporation, partnership, or other entity, an entity that directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity. “Control,” “controlled by,” or “under common control with” shall mean the power to elect, through membership or ownership, fifty percent (50%) or more of the governing body of a corporation, partnership, or other entity. “Control” shall also include the power to direct or cause the direction of the policies and management of an entity, whether through contract, membership interests, ownership of voting securities, a lease, a management agreement, or other arrangement.

**Section 10.2 Additional Definitions.** As used in these Bylaws, the following terms shall have the meanings as defined in the Sections set forth below:

<b><u>Term</u></b>	<b><u>Section</u></b>
Articles	2.1
At-Large Community Directors	4.1(a)(ii)
Board	1.2
Conflicts Policy	4.10
Corporation	1.1
Executive Officers	6.9
Flex Community Director	4.1(a)(iii)

Flex Physician Director	4.1(b)(iv)
Interested Persons	4.2(e)
Kapi‘olani Physician Directors	4.1(b)(iii)
Kauai Nominating Committee	4.1(a)(i)
Straub PAC	4.1(b)(i)
Straub Nominating Committee	4.1(a)(i)
Straub Physician Directors	4.1(b)(i)
Wilcox Community Directors	4.1(a)(i)
Wilcox Organizations	5.5(h)(i)
Wilcox Physician Directors	4.1(b)(ii)