

AMENDED BYLAWS OF
HAWAII INDEPENDENT PHYSICIANS ASSOCIATION

3/18/00

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HAWAII INDEPENDENT PHYSICIANS ASSOCIATION

ARTICLE I

PURPOSES AND NONPROFIT CHARACTER

SECTION 1.1. Purposes. The purposes of the corporation shall be as specifically set forth in Article III of the Articles of Incorporation.

SECTION 1.2. Nonprofit Character. The corporation shall be a nonprofit corporation, and any net income or earnings which may be derived from its operations, in pursuance of the purposes of the corporation, shall be used in furtherance of the purposes of the corporation and shall not be distributed to any member, director, or officer of the corporation, or any private individual, except to pay reasonable compensation for services rendered to the corporation or upon the liquidation of the property of the corporation in case of corporate dissolution.

ARTICLE II

PRINCIPAL OFFICE; SEAL

SECTION 2.1. Principal Office. The principal office of the corporation shall be maintained at such place within the State of Hawaii, and the corporation may have other offices within or without the State of Hawaii, as the Board of Directors shall determine.

SECTION 2.2. Place of Meetings. All meetings of the members and of the Board of Directors shall be held at the principal office of the corporation, unless some other place is stated in the call. Any meeting, regular or special, of either the members or of the Board of Directors may be held by conference telephone or similar communication equipment, so long as all

members or all directors participating in the meeting can communicate with one another, and all such members or directors shall be deemed to be present in person at the meeting.

SECTION 2.3. Seal. The Board of Directors may adopt and use a common seal.

ARTICLE III

MEMBERS

SECTION 3.1. Membership. The members of the corporation shall be those physicians and such health care institutions and organizations as are admitted from time to time into the corporation, subject to the applicable membership criteria in effect from time to time. Each physician member shall have one vote. An institutional member shall have such votes as determined by the Board of Directors. Additional members may be admitted (and members may continue as members) upon the conditions that (i) they each shall meet the criteria for membership established from time to time by the Membership Committee established pursuant to these Bylaws, and (ii) the Board of Directors by a three-fourths (3/4ths) vote agrees with the Membership Committee's determination that they do meet the criteria for membership established by the Membership Committee and that the addition of new members to the corporation would accomplish the purposes of the corporation as stated in the Articles of Incorporation. Any membership shall continue until the resignation of such member, removal pursuant to these Bylaws or the Membership Agreement (the "Membership Agreement") entered into between the member and corporation, or the dissolution of the corporation.

There shall be a class of Associate Members consisting of House Officer Physicians (as that phrase shall be defined at the sole discretion of the Membership Committee) who shall have voice but not vote; and every other right and responsibility of such Associate Members shall be determined by the Membership Committee subject to the approval of the Board of Directors.

SECTION 3.2 Suspension and Removal of Member. A member of the corporation may be removed only after (i) the Membership Committee makes a preliminary determination that the member has not complied with the criteria for membership established by it, (ii) the member is given sufficient notice of the prospective decision of the Membership Committee to terminate his/its membership to allow the member to defend these charges, (iii) the member is granted a hearing at which evidence sufficient to establish that the member has failed to comply with the criteria for membership is presented, (iv) the member is given an opportunity to rebut the evidence presented at the hearing by cross-examining the Membership Committee's witnesses and calling his/its own witnesses, (v) or, as an alternative to the procedures described in (iii) and (iv) above, which may be exercised at the member's option, the member is given a reasonable period of time to rebut the Membership Committee's allegations in a written response, (vi) the Membership Committee's final decision is based upon the evidence presented at the hearing or the member's response, if any, and (vii) the Board of Directors by a three-fourths (3/4ths) vote agrees that the member does not meet the criteria for membership established by the Membership Committee. A member of the corporation may be suspended by the Membership Committee, pending the completion of the proceedings for the removal of a member as described herein, upon the determination by the Membership Committee that a member has not complied with the criteria for membership established by the Membership Committee. Written notice of the suspension of any member shall be given by the Membership Committee to the suspended member and to the Board of Directors, and the suspended member shall have no right to vote during any such period of suspension.

SECTION 3.3. Fees. The Board of Directors may set the amount of the initial fee requirement for admission to membership and the annual dues for continued membership, the timely payment of which shall be a condition of membership.

SECTION 3.4. Annual Meeting. The annual meeting of the members of the corporation shall be held on such day within one hundred twenty (120) days following the close of each fiscal year as the Board of Directors shall designate, or, if the Board of Directors shall not have designated such day by the end of the second month following the close of the fiscal year, the annual meeting for that year shall be held on the first Monday in the fourth month following the close of the fiscal year, if not a legal holiday, and if a legal holiday, on the next calendar day following.

SECTION 3.5. Regular Meetings. The members may establish regular meetings to be held in such places and at such times as the members may from time to time by vote determine, and when such meeting or meetings shall be so determined, no further notice thereof shall be required.

SECTION 3.6. Special Meetings. Special meetings of the members may be held at any time upon the call of the Board of Directors, the President, or upon the call of one-fifth (1/5th) of all of the members of the corporation. Upon receipt of such call or written request, the Secretary shall send out notices of the meeting to all members.

SECTION 3.7. Notice of Meetings. Notice of all meetings, annual, regular or special, stating the place, day and hour of the meeting and whether it is annual, regular or special, and in case of a special meeting stating the purpose or purposes thereof, shall be given personally, by facsimile or by mail not less than ten (10) nor more than fifty (50) days before the date of the

meeting. If by mail, such notice shall be postage prepaid to each member as his address as it appears on the records of the corporation.

SECTION 3.8. Notice Unnecessary. The presence or representation at any meeting of any member shall be the equivalent of the waiver of notice of such meeting to the member. Any meeting at which all of the members shall be present in person or represented by proxy in writing shall be valid without notice.

SECTION 3.9. Quorum. At any meeting of members of which proper notice has been given, a majority of members present in person or by proxy, shall constitute a quorum, and the concurring vote of a majority of the members constituting a quorum shall be valid and binding upon the corporation, except as otherwise provided by law, by these Bylaws, or by the Articles of Incorporation of the corporation.

SECTION 3.10. Voting. At all meetings of the members, each member entitled to vote may do so in person or by written proxy. The authority given by a member to any person to represent such member at meetings of the members shall be in writing, signed by such member, and shall be filed with the Secretary of the corporation.

SECTION 3.11. Adjournment. Any meeting of the members, whether annual, regular or special, may be adjourned from time to time, whether a quorum be present or not, without notice other than the announcement at the meeting. Such adjournment may be to such time and to such place as shall be determined by a majority vote of the members present or represented by proxy. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted by a quorum at the original meeting as originally called.

SECTION 3.12 Consent of Members in Lieu of Meeting. Whenever the vote of members at a meeting thereof is required or permitted to be taken in connection with any corporate action permitted by the laws of the State of Hawaii governing nonprofit corporations generally, the meeting and vote of members may be dispensed with if all of the members who would have been entitled to vote upon the action if such meeting were held shall consent in writing to such corporate action being taken.

ARTICLE IV

BOARD OF DIRECTORS

SECTION 4.1.1. Election. There shall be a Board of Directors of the corporation to consist of no more than eleven (11) members, each of whom shall be a member of the corporation. The directors as stated in the Articles of Incorporation, together with such other directors, if any, appointed to the initial Board of Directors as provided in Section 4.2(b) of these Bylaws, shall be divided into three classes, each class to be as nearly equal in number as possible. The term of office of the directors of the first class shall expire three (3) years after their appointment, the term of office of the directors of the second class shall expire four (4) years after their appointment, and the term of office of the directors of the third class shall expire five (5) years after their appointment. At each annual meeting of members, the number of directors equal to the number of directors in the class whose term expires at the time of the meeting shall be elected to hold office for a term of three (3) years. All directors shall hold office until the expiration of their term and thereafter until their successors are duly elected and qualified.

SECTION 4.1.2. Composition. “Primary Care Physicians shall mean physicians who are principally engaged in family practice, general internal medicine, general pediatrics, or

general OB/GYN. “Specialist Physicians” shall mean all physicians who are not primary care physicians. The Board of Directors shall have at all times a majority of primary care physicians (the “Primary Care Physician Directors”). In the event that the size of the Board of Directors is increased or decreased, there shall always be a majority (by at least one director but not by more than two directors) of Primary Care Physician Directors. One of the Specialist Directors shall be a member of the Board of Directors of University Health Care Associates, a Hawaii nonprofit corporation.

SECTION 4.2. Vacancies. Vacancies in the Board of Directors resulting from death, resignation or other cause shall be filled as follows:

(a) In the case of a vacancy of a director caused by the death, resignation, long-term illness or other cause, such vacancy shall be filled by vote of the remaining directors.

(b) In the case of a temporary vacancy due to the absence of any director or the sickness or disability of any director, for less than 180 substantially consecutive days, the director who is temporarily absent may nominate a person, who, upon approval by the remaining directors, shall serve as substitute director during the absence or disability and until such absent director returns to duty. In the event that no such alternative or substitute director is nominated and approved, then the remaining directors, or director, may appoint some person as a substitute director who shall be a director during such absence or disability and until such absent director returns to duty. The determination by the remaining directors, as shown by the minutes, of the fact of such absence or disability and the duration thereof shall be conclusive as to all persons and the corporation.

SECTION 4.3. Removal. Any director may be removed from office without cause by a majority of the members that are entitled to vote upon the election of that director at any meeting

called for such purpose. The members may, but need not, elect a director to replace such director so removed.

SECTION 4.4. Reduction. No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of the term of office.

SECTION 4.5. Annual Meeting. A meeting of the Board of Directors shall be held at the place of each annual meeting of the members and immediately following such meeting. At such annual meeting, the Board of Directors shall elect the officers of the corporation for the ensuing year.

SECTION 4.6. Regular Meetings. The Board of Directors may establish regular meetings to be held in such places and at such times as it may from time to time by vote determine, and no further notice thereof shall be required.

SECTION 4.7. Special Meetings. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board, if elected, the President of the corporation or by any two (2) directors.

SECTION 4.8. Notice. The Secretary shall give notice of each meeting of the Board of Directors (for which notice is required) in writing by mailing the same not less than three (3) days before the meeting or by giving notice personally, by telephone not less than one (1) day before the meeting, or as otherwise prescribed by the Board. Notice need not be given to any directors who shall, either before or after the meeting, submit a signed waiver of notice or attend such meeting without protesting, prior to or at its commencement, the lack of notice to him. Except as otherwise provided by law, the Articles of Incorporation or by these Bylaws, a notice or waiver of notice need not state the purpose of such meeting.

SECTION 4.9. Quorum. The presence of a majority of the Board of Directors then in office at a meeting shall constitute a quorum to transact business, and, in order to be valid, any act or business must receive the approval of a majority of such quorum unless a higher voting requirement is imposed by law, the Articles of Incorporation or these Bylaws. A vacancy or vacancies in the membership of the Board of Directors shall not affect the validity of any action of the Board of Directors, provided there is present at the meeting a quorum.

SECTION 4.10. Adjournment. In the absence of a quorum at a meeting duly called, the Chairman of the Board, the President or a majority of the directors present may adjourn the meeting from time to time without further notice, and may convene or reconvene the meeting when a quorum shall be present.

SECTION 4.11. Action by Consent. Any action by the Board of Directors may be taken without a meeting if a written consent thereto is signed by all the directors and filed with the records of the meetings of the Board of Directors. Such consent shall be treated as a vote of the Board of Directors for all purposes.

SECTION 4.12. Proxies. Voting by proxy shall not be permitted at any meeting of the Board of Directors or of any committees, boards or bodies created by the Board.

SECTION 4.13. Powers. The Board of Directors shall manage the property and business of the corporation and shall have and may exercise all of the powers of the corporation except such as are reserved to or may be conferred from time to time by law or by the Articles of Incorporation and any amendments thereto or by the Bylaws upon the members of the corporation.

SECTION 4.14. Gifts and Contributions. The Board of Directors 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 4.15. Procedure. The Board of Directors shall fix its own rules of procedure which shall not be inconsistent with these Bylaws.

SECTION 4.16. Super-Majority Voting Requirements. Notwithstanding anything to the contrary contained herein, the following actions shall require the approval of three-fourths (3/4ths) of the entire Board of Directors:

(a) The amendment or restatement of the Articles of Incorporation or Bylaws of the corporation including any material or substantial change in the purposes of the corporation or the character of its business;

(b) the expenditure or incurrence of any obligation by or on behalf of the corporation from any party including borrowing of money in an amount which exceeds at any one time the sum of \$75,000 also including any lease or installment contract where the total amount of all future payments exceeds \$75,000, except for expenditures made and obligations incurred pursuant to and specifically set forth in a budget previously approved by the Board of Directors;

(c) The acquisition of, or investment in, any general partnership, limited partnership, corporation, limited liability company, joint venture, trust, business trust, governmental agency, cooperative, association, individual, business or other entity (collectively referred to as "Other Entity") which exceeds at any one time the sum of \$75,000;

(d) The determination of, or modifications to, any distributions to the physician members of the corporation for services rendered;

- (e) The sale, transfer, conveyance, lease, exchange, encumbrance, mortgage, pledge or other disposition of all, or substantially all, of the assets of the corporation;
- (f) The merger, consolidation, or combination of the corporation into or with any other entity;
- (g) The determination to surrender any permits, approvals or licenses of the corporation or the dissolution of the corporation;
- (h) The guarantee by the corporation of, or the agreement of the corporation to be responsible for, the indebtedness or obligations of any Other Entity; and
- (i) The institution of any legal action or proceeding.

ARTICLE V

OFFICERS AND MANAGEMENT

SECTION 5.1. Appointment, Term, Removal. The officers of the corporation shall be a President, one or more Vice Presidents, a Secretary, a Treasurer, and in addition thereto, in the discretion of the Board of Directors, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers, with such duties, as the Board of Directors shall from time to time determine. The officers shall be members of the corporation and shall be elected annually by the Board of Directors at the first meeting thereof after the annual or special meeting of the members at which the Board is elected and shall hold office at the pleasure of the Board until the next annual meeting and thereafter until their respective successors shall be duly elected and qualified. Any person may hold more than one office provided that there be at least two (2) persons as officers of the corporation. The Board of Directors may, in its discretion, from time to time limit or enlarge the duties and powers of any officer appointed by it.

SECTION 5.2. President. The President shall be the chief executive officer of the corporation. Subject to the direction and control of the Board of Directors, the President shall have the general management, supervision and control of all of the property, business, and affairs of the corporation and exercise such other powers as the Board may from time to time confer upon him. The President, if present, shall preside at all meetings of the members and the Board of Directors. The President shall at all times keep the Board of Directors fully advised as to all of the corporation's business.

SECTION 5.3. Vice President or Vice Presidents. The Vice President or Vice Presidents shall, in such order as the Board of Directors shall determine, perform all of the duties and exercise all of the powers of the President provided by these Bylaws or otherwise, during the absence or disability of the President or whenever the office of President shall be vacant, and shall perform all other duties assigned to him or them by the Board of Directors or the President. The Board of Directors may designate one of the Vice Presidents as Executive Vice President and the Vice President so designed shall be first in order to perform the duties and exercise the power of the President in the absence of that officer.

SECTION 5.4. Secretary. The Secretary shall attend all meetings of the members and the Board of Directors, and shall record the proceedings thereof in the minute book or books of the corporation. The Secretary shall give notice, in conformity with these Bylaws, of meetings of members and, where required, of the Board of Directors. The Secretary shall perform all other duties incident to his office or which may be assigned to him by the Board of Directors or the President.

SECTION 5.5. Treasurer. The Treasurer shall have custody of all of the funds, notes, bonds, and other evidences of property of the corporation. The Treasurer shall deposit or cause

to be deposited in the name of the corporation all monies or other valuable effects in such banks, trust companies, or other depositories as shall from time to time be designated by the Board of Directors. The Treasurer shall make such disbursements as the regular course of the business of the corporation may require or the Board of Directors may order. The Treasurer shall perform all other duties incident to his office of which may be assigned to him by the President of the Board of Directors.

SECTION 5.6. Assistant Secretary and Assistant Treasurer. The Assistant Secretary or Assistant Secretaries and Assistant Treasurer or Assistant Treasurers, if elected, shall, in such order as the Board of Directors may determine, perform all of the duties and exercise all of the powers of the Secretary and Treasurer, respectively, during the absence or disability of, and in the event of a vacancy in the office of the Secretary or Treasurer, respectively, and shall perform all of the duties assigned to him or them by the President, the Secretary in the case of Assistant Secretaries, the Treasurer in the case of Assistant Treasurers, or the Board of Directors.

SECTION 5.7. Absence of Officers. In the absence or disability of the President and Vice President, or Vice Presidents if more than one, the duties of the President (other than the calling of meetings of the stockholders and the Board of Directors) shall be performed by such persons as may be designated for such purpose by the Board of Directors. In the absence or disability of the Secretary and of the Assistant Secretary, or Assistant Secretaries if more than one, or of the Treasurer and the Assistant Treasurer, or Assistant Treasurers if more than one, the duties of the Secretary or of the Treasurer, as the case may be, shall be performed by such person or persons as may be designated for such purpose by the Board of Directors.

SECTION 5.8. Salaries. The salaries and compensation, if any, of officers, agents, and employees shall be determined by the Board of Directors.

SECTION 5.9. Removal From Office. The Board of Directors may at any time, for or without cause, remove from office or discharge from employment any officer, subordinate officer, agent, or employee appointed by it or by any person under authority delegated by it. The Board of Directors may elect a successor for any officer whose office becomes vacant for any reason.

ARTICLE VI

COMMITTEES OF THE BOARD

SECTION 6.1. Establishment of Committees. The following standing committees shall be formed as duly constituted committees of the Board of Directors: Membership Committee and Credentialing Committee, Finance and Contracting Committee, Quality Improvement Committee and Care Management Committee. Other committees may be established from time to time as duly constituted committees by action of the Board of Directors. Each committee shall develop and implement its functions and operations in accordance with policies approved by the Board of Directors.

SECTION 6.2. Membership and Credentialing Committee. The Membership and Credentialing Committee shall be made up of such members as are appointed from time to time by the Board of Directors. The Membership and Credentialing Committee's activities shall include, but not be limited to, a review of the professional qualifications of physician members. Included in the Membership and Credentialing Committee's responsibilities shall be to ascertain the physician's training, experience, demonstrated ability in his specialty, good standing on the medical staff of hospitals, adequacy of professional liability insurance, and continuing post-graduate education. The Membership and Credentialing Committee shall establish uniform standards and procedures consistent with the provisions of Sections 3.1 and 3.2 of these Bylaws

and make individual determinations based upon such uniform standards and procedures concerning the admission, suspension and termination of physician members.

SECTION 6.3. Finance and Contracting Committee. The Board of Directors shall appoint a Finance and Contracting Committee, consisting of such members as are appointed from time to time by the Board of Directors. The Finance and Contracting Committee shall study and make a report to the Board of Directors concerning those issues which impact the IPA's income and expenses, including, but not limited to, health plans or any products or services that are made available to the corporation for participation by the members. The Finance and Contracting Committee shall also study and make a report to the Board of Directors concerning the allocation of risk and reward. The Board of Directors shall consider the recommendation made by the Finance and Contracting Committee in deciding whether to offer a health plan, product or service to the members, but shall not be bound by any recommendation of the Finance and Contracting Committee.

SECTION 6.4. Quality Improvement Committee. The Quality Improvement Committee shall consist of such members as are appointed from time to time by the Board of Directors. The function of the committee shall include, but not be limited to, a review of the care provided by physician members to ascertain and to ensure acceptable standards of medical care consistent with the purposes and goals of the corporation.

SECTION 6.5. Care Management Committee. The Care Management Committee shall consist of such members as are appointed from time to time by the Board of Directors. The function of the committee shall include, but not be limited to, the review of the care provided to members, and utilization review activities consistent with the purpose and goals of the corporation.

SECTION 6.6. Committee Membership; Powers. All committee members shall be members of the corporation, except as otherwise determined by the Board of Directors. Unless specifically provided to the contrary, the powers of all committees shall be subject to review by the Board of Directors.

ARTICLE VII

AUDIT OF BOOKS

The Board of Directors may cause a complete audit to be made of the books of the corporation at least once each fiscal year and more often if required by the Board of Directors, and shall thereafter make appropriate reports to all members of the Board of Directors and of the corporation. The Board of Directors may appoint a person, firm, or corporation engaged in the business of auditing to act as the auditor of the corporation.

ARTICLE VIII

CONTRACTS, CHECKS, DEPOSITS AND FUNDS

SECTION 8.1. Contracts. The Board of Directors may by general or special resolution authorize the President and/or any other officer or officers of the corporation to enter into any contract or to execute and deliver any document, instrument, or writing of any nature in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

SECTION 8.2. Signing of Checks. All checks, letters of credit, drafts, or orders for the payment of money, notes, or other evidences of indebtedness (collectively, "Checks") shall be signed by two (2) officers of the corporation and in such manner as shall from time to time be determined by general or special resolution of the Board of Directors, provided, however, that Checks for amounts which are less than \$5,000 shall only require the signature of one (1) officer

of the corporation. In the absence of such determination by the Board of Directors, such instruments shall be signed by the President and one (1) other designated officer of U-Med.

SECTION 8.3. Facsimile Signatures. The Board may from time to time by resolution, provide for the execution of any corporate instrument or document, including, but not limited to checks, letters of credit, drafts, and other orders for the payment of money, by a mechanical device or machine or by the use of facsimile signatures under such terms and conditions as shall be set forth in any such resolution.

SECTION 8.4. Funds. All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as the Board of Directors may select.

ARTICLE IX

INSPECTION OF CORPORATE RECORDS AND BYLAWS

SECTION 9.1. Inspection of Corporate Records. The books of account and the minutes of proceedings of the members and directors shall be open to reasonable inspection upon the written demand of any member, at any reasonable time, and for a purpose reasonably related to his interests as a member, and shall be exhibited at any time when required by the demand of a majority of the members. Such inspection may be made in person or by an agent or attorney, and shall include the right to make copies. Demand for inspection may be made in writing upon the President, the Secretary, or any Assistant Secretary of the corporation. The corporation shall have a reasonable period of time to respond to such demand for inspection. Notwithstanding the foregoing, no records of any proceedings of the Credentials Committee regarding any individual physician shall be subject to disclosure.

SECTION 9.2. Inspection of Bylaws. The corporation shall keep in its principal office for the transaction of business a copy of the Bylaws of the corporation as amended or otherwise altered to date, which shall be open to inspection by the members at all reasonable times during office hours.

ARTICLE X

LIABILITY AND INDEMNIFICATION

SECTION 10.1. Liability. Any person who serves as a director or officer of the corporation without remuneration or the expectation of remuneration shall not be liable for damage, injury or loss caused by or resulting from such person's performance of, or failure to perform, the duties of the position to which the person was appointed, unless the person was grossly negligent in the performance of, or failure to perform, such duties.

SECTION 10.2. Indemnification.

(a) As used in this Article X, "agent" means any person who is or was a director, officer, employee or other 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; "proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative; and "expenses" include, without limitation, attorneys' fees and any expenses of a completed proceeding.

(b) The corporation shall indemnify each person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the corporation) by reason of the fact that he is or was an agent of the corporation, against expenses, judgments, fines, settlement and other amounts actually and reasonably incurred in connection with such proceeding if the person acted in good faith and in a manner the person reasonably believed to be

in or not opposed to the best interests of the corporation, and, with respect to any criminal proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that he person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal proceeding, had reasonable cause to believe that his conduct was unlawful.

(c) The corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was an agent of the corporation, against expenses actually and reasonably incurred by him in connection with the defense or settlement of such action if the person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all of the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

(d) To the extent that an agent has been successful on the merits or otherwise in defense of any proceeding referred to in paragraph (b) or (c) of this Article X, or in defense of any claim, issue or matter therein, the agent shall be indemnified by the corporation against expenses actually and reasonably incurred by him in connection therewith.

(e) Any indemnification under paragraph (b) or (c) of this Article X (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the agent is proper in the circumstances because he has met the applicable standard of conduct set forth in paragraph (b) or (c). Such determination shall be made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to the proceeding, or (ii) if such a quorum is not obtainable, by independent legal counsel in a written opinion to the corporation or (iii) by the members.

(f) Expenses incurred in defending any proceeding may be paid by the corporation in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the corporation as authorized in this Article X.

(g) Any indemnification pursuant to this Article X shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled and shall continue as to a person who has ceased to be an agent and shall inure to the benefit of the heirs and personal representatives of such a person.

(h) The corporation shall have the power to purchase and maintain insurance on behalf of any agent of the corporation, against any liability asserted against or incurred by the agent in any such capacity or arising out of the agent's status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article X.

ARTICLE XI

FISCAL YEAR

The fiscal year of the corporation shall be such as may from time to time be established by the Board of Directors.

ARTICLE XII

AMENDMENT TO BYLAWS

These Bylaws may be amended, altered or repealed upon the affirmative three-fourths (3/4ths) vote of the entire Board of Directors.

ARTICLE XIII

CONFLICTS OF INTEREST POLICY

SECTION 13.1. Conflicts of Interest Policy. The Conflicts of Interest Policy attached hereto as Exhibit "A," as the same may be amended from time to time pursuant to Article XII hereof, is incorporated by reference into these Bylaws.

EXHIBIT “A”

HAWAII INDEPENDENT PHYSICIANS ASSOCIATION

Conflicts of Interest Policy

The following Conflicts of Interest Policy was duly adopted by the Board of Directors of Hawaii Independent Physicians Association, a Hawaii nonprofit corporation (the “Corporation”) and by reference incorporated into Article XIII of the Corporation’s Bylaws.

ARTICLE I

Purpose

The purpose of the conflicts of interest policy is to protect the corporation’s interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Corporation. This policy is intended to supplement but not replace any applicable state laws governing conflicts of interest applicable to nonprofit corporations.

ARTICLE II

Definitions

1. Interested Person. Any director, principal officer, or member of a committee with board delegated powers who has a director or indirect financial interest, as defined below, is an interested person.

2. Financial Interest. A person has a financial interest if the person has, directly or indirectly, through business, investment or family –

- (a) an ownership or investment interest in any entity with which the Corporation has a transaction or arrangement, or

- (b) a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement, or
- (c) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement.

Compensation includes director and indirect remuneration as well as gifts or favors that are substantial in nature.

ARTICLE III

Procedures

1. Duty to Disclose. In connection with any actual or possible conflicts of interest, an interested person must disclose the existence and nature of his or her financial interest to the directors and members of committees with board delegated powers considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists. After disclosure of the financial interest, the interested person shall leave the board or committee meeting while the financial 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) The chairperson of the board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- (b) After exercising due diligence, the board or committee shall determine whether the Corporation can obtain a more advantageous transaction or

arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.

- (c) If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the 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 and for its own benefit and whether the transaction is fair and reasonable to the Corporation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

4. Violations of the Conflicts of Interest Policy.

- (a) If the board or committee has reasonable cause to believe that 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 response of the member and making such further investigation as may be warranted in the circumstances, the board or committee determines that the member has in fact 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 board and all committees with board-delegated powers shall contain –

1. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the board's or committee's decision as to whether a conflict of interest in fact existed.

2. 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 alternative to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.

ARTICLE V

Compensation Committees

1. 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.

2. 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.

ARTICLE VI

Annual Statements

Each director, principal officer and member of a committee with board delegated powers shall annually sign a statement which affirms that such person –

1. Has received a copy of the conflicts of interest policy,
2. Has read and understands the policy,
3. Has agreed to comply with the policy, and

4. Understands the Corporation is a Hawaii Nonprofit Corporation and that in order to maintain this designation it must engage primarily in those activities pursuant to the provisions of the Hawaii Nonprofit Corporation Act, Hawaii Revised Statutes Chapter 415B.

ARTICLE VII

Periodic Reviews

To ensure that the corporation operates in a manner consistent with its purposes and that it does not engage in activities that could jeopardize its designation as a Hawaii Nonprofit Corporation, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

1. Whether compensation arrangements and benefits are reasonable and are the result of arm's-length bargaining.
2. Whether acquisitions of physician practices and other provider services result in inurement or impermissible private benefit.
3. Whether partnership and joint venture arrangements and arrangements with management service organizations and physician hospital organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the Corporation's purposes and do not result in inurement or impermissible private benefit.
4. Whether agreements to provide health care and agreements with other health care providers, employees, and third party payors further the Corporation's purposes and do not result in inurement or impermissible private benefit.

ARTICLE VIII

Use of Outside Experts

In conducting the periodic reviews 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 board of its responsibility for ensuring that periodic reviews are conducted.