Article I. NAME AND PURPOSE

Section 1.01 Name. The name of the corporation is Scott & White Clinic.

Section 1.02 Principal Office. The principal office of the Corporation shall be located at 2401 South 31st Street, Temple, Texas 76508, Bell County, Texas, or at such other place(s) within the City of Temple, Texas, as the board of directors (the "Board of Directors") of the Corporation may determine to be in the best interest of the Corporation.

Section 1.03 Purpose. The Corporation is organized exclusively for charitable, scientific, and educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or corresponding provisions hereafter in effect ("the Code"). More specifically, the Corporation is organized and shall be operated exclusively to carry out any or all of the following purposes:

(a) the carrying out of scientific research and research projects in the public interest in the fields of medical sciences, medical economics, public health, sociology, and related areas;

(b) the supporting of medical education in medical schools through grants and scholarships;

(c) the improving and developing of the capabilities of individuals and institutions studying, teaching and practicing medicine;
(d) the delivery of health care to the public;

(e) the engaging in the instruction of the general public in the area of medical, science, public health, and hygiene and related instruction useful to the individual and beneficial to the community; and,

(f) the conducting of other activities useful or appropriate to the accomplishment of the foregoing purposes.

Section 1.04 Restriction on Distribution of Earnings. No part of the Corporation's net earnings shall inure to the benefit of, or be distributable to, any director, officer or other private person, provided, that the Corporation shall be authorized and empowered to employ physicians, surgeons and other personnel necessary or useful in the accomplishment of the foregoing purposes and shall be authorized and empowered to pay reasonable compensation for services rendered by such physicians, surgeons and other personnel and to make payments and distributions in furtherance of such purposes. No substantial part of the activities of the Corporation shall be carrying on propaganda, or otherwise attempting to influence legislation, and it shall not participate in, or intervene in (including the publishing or distributing of statements) any political campaign on behalf of or in opposition to any candidate for public office.

Article II. MEMBER

Section 2.01 Number, Powers and Duties. This Corporation shall have one member. The member shall exercise such rights and perform such duties as required or permitted by law, the Articles of Incorporation of the Corporation (the "Articles of Incorporation"), or these Bylaws.

Section 2.02 Identity. The member of this Corporation shall be Scott and White Memorial Hospital and Scott, Sherwood and Brindley Foundation ("the Member"), a Texas non-profit
corporation that is exempt from federal income taxation under Section 501(a) of the Code and as an organization described in section 501(c)(3) of the Code.

Section 2.03 Annual Meeting. The Member shall hold at least one meeting annually at such place, date and time as may be designated from time to time by the Member to transact any business as may lawfully come before the meeting. No notice shall be required for such meeting.

Section 2.04 Special Meetings. The Member may, in its discretion, call special meetings. Notice containing the place, date and time shall be provided at least ten (10) days, but not more than sixty (60) days before the date of the meeting or in accordance with the Bylaws of the Member.

Section 2.05 Action Reserved to the Member. The following matters are reserved solely to the Member and, following consultation with the Board of Directors, shall require the affirmative action of the Member to be effective:

(a) approval and adoption of annual operating and capital budgets of the Corporation;

(b) any financial expenditure which deviates from the Corporation's annual operating and capital budgets if the sum of such financial expenditure and the sum of all prior financial expenditures which themselves deviate from the Corporation's annual and capital budgets, per fiscal year, exceed $500,000.00;

(c) the sale, lease, mortgage, or other transfer or encumbrance of the real property of the Corporation;

(d) any sale, lease, mortgage or other transfer or encumbrance (collectively, "Transfer") of the personal property and assets of the Corporation if the sum of such Transfer and the sum of all prior Transfers, per fiscal year, exceed $500,000.00;

(e) any merger, acquisition, consolidation or dissolution of the Corporation;
(f) borrowing or lending of money or the creation of indebtedness through the guaranty of another's debt or similar action in excess of $50,000;

(g) giving of grants;

(h) settlement of claims or litigation;

(i) appointment and removal of directors in accordance with Article 3 of these Bylaws;

(j) appointment and removal of officers in accordance with Article 4 of these Bylaws;

(k) creation, ownership or acquisition of, or affiliation with, any other organization;

(l) approval of any strategic plan, business plan, or mission plan of the Corporation;

(m) contracts in which the Corporation assumes financial risk of $500,000.00 or more, including but not limited to managed care contracts, and physician practice acquisition contracts; and,

(n) Approval and adoption of the gross amounts for such items as salaries to physicians, salaries to non-professional personnel, salaries of the managerial staff, operating expenses, retirement, death, severance, and disability deductions, and the various other items and classes of expenditures contemplated to be made by the Corporation during the ensuing year. However, no such amounts shall result in an unreasonable compensation being paid to the Corporation’s physicians.

Section 2.06 Actions Requiring Approval of the Member and the Board of Directors. The following matters require the approval of the Member and a majority of the Board of Directors:

(a) Election of the President and CEO of the Corporation; and,

(b) Sale of all or a substantial portion of the Corporation’s assets.

Section 2.07 Action by Member. Any action which may be required by law, the Articles of Incorporation, or these Bylaws to be taken by the Member shall be evidenced in writing, signed by the
president or any vice president of the Member for and on behalf of the Member and shall be filed in the minute book of the Corporation as part of the permanent records of the Corporation.

Section 2.08 Non-Liability of Member. The Member shall not be liable for the debts, liabilities, or obligations of the Corporation.

Article III. BOARD OF DIRECTORS

Section 3.01 General Powers. Except as provided by applicable law, the Articles of Incorporation, or in these Bylaws, the business, property and affairs of the Corporation shall be managed, directed and controlled, and all powers of the Corporation exercised by or under the direction of the Board of Directors consistent with these Bylaws. The Board of Directors may delegate the management of the day-to-day operation of the business of the Corporation to a management company or other person or persons, provided that the business, property and affairs of the Corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board of Directors. The Board of Directors may make appropriate delegations of authority to the officers of the Corporation, and may, under a specific written delegation of authority, authorize one or more additional committees to act on its behalf.

Section 3.02 Exclusive Powers of the Board. The Board of Directors has exclusive authority and power to make all credentialing, quality assurance and improvement, utilization review and peer review and employment policies of the Corporation. Further, any decision to terminate the employment or retention of any physician to provide medical services on behalf of the Corporation during such physician's term of retention must be made exclusively by the Board of Directors or its physician designee(s) and such termination shall be subject to due process procedures adopted by the Board of
Directors or its physician designee(s) and/or provided for in the retention arrangement between the Corporation and the subject physician.

**Section 3.03 Number, Qualifications, TSBME, Conflict of Interest and Appointment.**

(a) **Number.** The number of directors that shall constitute the Board of Directors shall be nine (9). The Member, following consultation with the Board of Directors may change the number of directors. Each director serving on the Board of Directors must be nominated in accordance Section 3.07 below and each nominations must be consistent with the mission, goals, and purposes of the Corporation, and each nominee must meet the qualifications set forth below.

(b) **Qualifications.** The Board of Directors must meet the following qualifications:

(i) Each director must at all times be a physician duly licensed to practice medicine by the Texas State Board of Medical Examiners ("the TSBME"), a member of the Senior Staff of Scott & White Clinic, and actively engaged in the practice of medicine. For purposes of these Bylaws, the term "actively engaged in the practice of medicine" shall be as defined by the TSBME in its rules and regulations relating to the certification of non-profit health corporations, as amended from time to time; and,

(ii) No director shall be entitled to serve on the Board of Directors if that individual is or becomes a director or officer of any organization that competes with the Corporation. This provision may be waived by the mutual consent of the Member and Board of Directors.

(c) **TSBME.** As required by applicable regulations, each director shall submit to the TSBME a sworn statement providing the following: (i) that he or she is licensed by the TSBME; (ii) that he or she is actively engaged in the practice of medicine as defined by applicable regulations; (iii) that, as a director, he or she will exercise independent judgment in all matters and, specifically, matters relating to credentialing, quality assurance and improvement, utilization review, peer review, and the practice of medicine; (iv) that, as a director, he or she will exercise best efforts to cause the Corporation to comply with all relevant provisions of the Texas Occupations Code, formally known as the Texas Medical Practice Act, (the "Act") and applicable
(v) that, as a director, he or she will immediately report to the TSBME any action or event which such director reasonably and in good faith believes constitutes a violation or attempted violation of the Act or applicable regulations; and (vi) the disclosure of the identity of all of such director's financial relationships, if any, as required in subparagraph (d) of this Section 3.03.

(d) Conflict of Interest. As required by applicable regulations, each director shall individually disclose to the Member, the Board of Directors (at the times of nomination and appointment) and to the TSBME (at the times of initial application and biennial reports) the identity of each financial relationship known to such director, if any, which such director has with the Member, any other director, any Supplier (as defined by the TSBME) of the Corporation or any affiliate of any Member, other director or Supplier of the Corporation, and provide a concise explanation of the nature of each such financial relationship. The disclosure of any such financial relationship shall be subject to Article 11 of these Bylaws.

(e) Appointment. Each successor to a director whose term shall have expired shall be appointed by the Member, subject to the fulfillment of the qualifications set forth in paragraph 3.03(b) above and approval by at least a majority of the Board of Directors as set forth in paragraph 3.07 of these Bylaws, unless otherwise required by law, including requirements to obtain or maintain tax exemption. Such requirements may include, but shall not be limited to, a written request from the Internal Revenue Service for a representation or covenant by the Corporation that the power to appoint directors shall be vested solely in the Member. This Section 3.03(e) shall be deemed to be amended to be consistent with any such representation or covenant made by the Corporation to the Internal Revenue Service.

Section 3.04 Term. A qualified physician selected as a director shall serve for a term of six (6) years following the date of appointment and until his or her successor shall have been appointed, unless he or she dies or is sooner removed or resigns pursuant to these Bylaws. No director may serve
more than two (2) terms, including the original terms set forth below. However, Phillip T. Cain, M.D.,
Don B. Cauthen, M.D., Wallace E. Lowry, Jr., M.D., and Raleigh R. White, IV, M.D., are not eligible
for an additional term on the Board of Directors.

As of the date of this Amendment, the following are the Directors of the Corporation and said
Directors shall serve terms of office as follows:

(a) Phillip T. Cain, M.D., shall serve an original term of office commencing upon the
inception of the Corporation and ending December 1, 2006 or until his successor has
been appointed;

(b) Bobby L. Shull, M.D., shall serve an original term of office commencing upon the
inception of the Corporation and ending December 1, 2001 or until his successor has
been appointed;

(c) Raleigh R. White, IV, M.D., shall serve an original term of office commencing upon the
inception of the Corporation and ending December 1, 2002 or until his successor has
been appointed;

(d) Paul Dieckert, M.D., shall serve an original term of office commencing upon December
1, 2000 and ending upon December 1, 2002 or until his successor has been appointed;

(e) Glen R. Couchman, M.D., and Wallace E. Lowry, Jr., M.D. shall serve an original term
of office commencing upon the inception of the Corporation and ending upon December
1, 2003, or until their successors have been appointed;

(f) Wade Knight, M.D., shall serve an original term of office commencing upon the
inception of the Corporation and ending upon December 1, 2004, or until his successor
has been appointed;

(g) Frank Villamaria, M.D., shall serve an original term of office commencing upon
December 1, 2000 and ending upon December 1, 2005 or until his successor has been
appointed;
(h) Don B. Cauthen, M.D., shall serve an original term of office commencing upon the inception of the Corporation and ending upon December 1, 2006 or until his successor has been appointed;

Section 3.05 Removal. The following provisions govern the removal of directors:

(a) By the Corporation.

(i) Any director may be removed without cause by a majority vote of the Board of Directors, not including the director sought to be removed; or,

(ii) Any director who ceases to meet the qualifications of Section 3.03 of these Bylaws shall be removed by the Board of Directors effective as of the date such qualifications cease to be met, and such removal shall not require the approval of the Member.

Section 3.06 Resignations. Any director may resign at any time by giving written notice to the Board of Directors through its chair, the president, or the secretary of the Corporation. Such resignation shall take effect when the notice is received, unless the notice specifies a future date. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.07 Vacancies. Any vacancy occurring in the Board of Directors (by expiration of term, death, resignation, removal, or otherwise) shall be filled in accordance with the following procedure. Each year at a time determined by the Board of Directors, the directors will invite the members of the Senior Staff to nominate three qualified physicians for each vacancy to be considered by the directors. A separate nominating process will be held for each vacancy in those years when more than one term expires. The remaining directors will within thirty (30) days consider the Senior Staff nominations, and by majority vote select a qualified physician from the Senior Staff to recommend to the Member to fill the vacancy. This Section 3.07 shall be deemed to be amended to be consistent
with any such representation or covenant made by the Corporation to the Internal Revenue Service. If
the vacancy was created in a directorship whose term was not expiring, the director selected to fill the
vacancy shall serve for a new six year term without regard to the number of years left in the unexpired
term of such director's predecessor in office. No reduction in the authorized number of directors shall
have the effect of removing any director before that director's term of office expires.

Section 3.08  **Place and Manner of Meetings.** Meetings of the Board of Directors may be
called by the Member, the chair, the president, or a majority of the directors, and shall be held at the
principal office of the Corporation, unless some other place is designated in the notice of the meeting.
Directors may participate in a meeting through use of a conference telephone or similar communications
equipment so long as all participants in such a meeting can communicate with one another. Accurate
minutes of any meeting of the Board of Directors or any committee thereof shall be maintained by the
secretary or other officer designated for that purpose.

Section 3.09  **Annual and Regular Meetings.** Annual meetings of the Board of Directors shall
be held at the principal office of the Corporation, or at such other place as may be designated in the
notice of the meeting, for the transaction of such business as may lawfully come before the meeting.
Other regular meetings of the Board of Directors shall be held not less often than quarterly at such place
and such time as shall be approved by resolution of the Board of Directors. Such regular meetings may
be held without notice to the directors.

Section 3.10  **Special Meetings.** Special meetings of the Board of Directors may be called by
the chair of the Board of Directors or the president and shall be called by the secretary on the written
request of a majority of the directors. Notice of each special meeting of the Board of Directors shall be
given to each director at least 48 hours before the time of the meeting.

Section 3.11 Waiver and Requirements of Notice. Attendance of a director at any meeting
shall constitute a waiver of notice of such meeting, except where a director attends for the express
purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully
called or convened. Except as may be otherwise provided by law, the Articles of Incorporation, or by
these Bylaws, neither the business to be transacted at, nor the purpose of, any regular or special meeting
of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 3.12 Quorum for Meetings; Vote Required. The presence of a majority of the
number of directors determined in accordance with these Bylaws as constituting the Board of Directors
shall be a quorum for the transaction of business at all meetings convened according to these Bylaws.
The affirmative vote of a majority of the directors present at any meeting at which there is a quorum shall
be the act of the Board of Directors, unless otherwise required by law, the Articles of Incorporation, or
these Bylaws.

Section 3.13 Voting by Proxy. A director may vote at a meeting of the Board of Directors by
proxy executed in writing by such director and delivered to the secretary of the Corporation at or prior
to such meeting; however, a director present by proxy at any meeting of the Board of Directors may not
be counted to determine whether a quorum is present at such meeting. No proxy shall be valid after
three months from the date of its execution. Each proxy shall be revocable unless expressly provided
therein to be irrevocable, and unless otherwise made irrevocable by law.
Section 3.14  Notice of Adjournment. Notice of the time and place of holding an adjourned meeting at which a quorum was present need not be given to absent directors if the time and place is fixed at the meeting adjourned and it is held within forty-eight (48) hours. If a meeting is adjourned for more than forty-eight (48) hours, notice shall be given to all directors not present at the time of adjournment. A quorum must be present at the reconvened meeting in order to transact business.

Section 3.15  Compensation. If approved by the Board of Directors and Member, a director and/or committee member may receive compensation from the Corporation for services as a director or committee member; provided, that this provision shall not be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. The directors may be reimbursed for education and development expenses related to Board responsibilities and expenses incurred in attending to authorized duties. Members of Board committees may be allowed like expenses.

Article IV.  OFFICERS

Section 4.01  Number, Appointment and Tenure, Resignation, and Removal.

(a)  Number. The officers of this Corporation shall include a president, a chair, a vice chair and a secretary. The Board of Directors may appoint a treasurer as well as such other officers as may be designated and approved by the Member.

(b)  Appointment and Tenure. At each annual meeting, the Board of Directors shall select a president, a chair, a vice chair, and a secretary and in its discretion any other officers. The selection of each officer shall be made by secret nomination, secret ballot and by majority vote. The Member must then approve and appoint each officer selected by the Board of Directors. The officers of the Corporation shall hold office for one (1) year terms. Each officer so appointed shall take office and shall hold such office until the
earlier of the date of the next annual meeting of the Board of Directors following the
date of his or her election, and thereafter, until his or her successor shall have been duly
elected and qualified, or the date such officer resigns, dies, or is removed. The same
person may hold any two or more offices, except that the same person may not hold the
offices of president and secretary.

(c) Resignation. Any officer may resign at any time by giving written notice thereof to the
president or secretary of the Corporation. Unless otherwise specified in the notice, the
resignation shall take effect upon receipt thereof, and the acceptance of the resignation
shall not be necessary to make it effective.

(d) Removal. The Board of Directors may remove any officer, either with or without cause,
at any meeting of the Board of Directors at which a quorum is present, provided that the
Member consents to such removal.

Section 4.02 Attendance at Meetings. The chair, and in his or her absence the president or
the vice chair, shall call meetings of the Board of Directors to order, and shall preside at such meetings.
The secretary of the Corporation shall act as secretary of all such meetings, but in the absence of the
secretary the chair may appoint any person present to act as secretary of the meeting.

Section 4.03 Duties. The principal duties of the officers are as follows:

(a) President. The president shall be the chief executive officer of the Corporation, charged
generally with the management of the Corporation subject to rules, regulations and
policies of the Board of Directors. The president shall serve as an Ex Officio member
of the Board of Directors. The president shall sign and execute all legal documents and
instruments in the name of the Corporation, and shall have the power to appoint and
remove subordinate employees. The president shall submit to the Board of Directors
plans and suggestions for the activities of the Corporation, and shall present
recommendations in each case to the Board of Directors for decision. The president
shall also submit a report of the activities and affairs of the Corporation at each annual meeting of the Board of Directors and at other times when called upon to do so by the Board of Directors. Since the individual chosen as president of the Corporation is expected to also serve as president for the Member, the Directors have chosen to delegate to the chair wide ranging responsibilities that would ordinarily be held by the president.

(b) **Chair.** The chair shall be the presiding officer of the Board of Directors and shall hold general administrative authority and day to day responsibility for the operation of the Corporation’s clinical enterprise. For example, in the absence or unavailability of the president, the chair shall sign and execute all legal documents and instruments in the name of the Corporation. Additionally, the chair shall prepare or cause to be prepared an annual budget showing expected receipts and expenditures for consideration by the Board of Directors. Finally, the chair shall direct the general correspondence of the Corporation and perform such other duties as may be prescribed from time to time by the Board of Directors or delegated by the president.

(c) **Vice Chair.** The vice chair shall discharge the duties of the chair in the event of the chair’s absence or disability for any cause whatever, and shall perform such additional duties as may be prescribed from time to time by the president and/or the Board of Directors.

(d) **Secretary.** The secretary shall have charge of the records and correspondence of the Corporation under the direction of the president, and shall be the custodian of the seal of the Corporation, if any. The secretary shall attend all meetings of the Board of Directors and give notice of such meetings as required by these Bylaws. The secretary shall take and keep true minutes of all meetings of the Board of Directors of which, ex officio, but without vote, the secretary shall be the secretary. The secretary shall discharge such other duties as shall be prescribed from time to time by the president or the Board of Directors. In case of the absence or disability of the secretary, the Board
of Directors may appoint an assistant secretary to perform the duties of the secretary
during such absence or disability.

(e) **Treasurer.** The treasurer, if any shall keep account of all moneys, credits and property
of the Corporation which shall come into the treasurer's hands and keep an accurate
account of all moneys received and discharged. Except as otherwise ordered by the
Board of Directors, the treasurer shall have custody of all the funds and securities of the
Corporation and shall deposit the same in such banks or depositories as the Board of
Directors shall designate. The treasurer shall keep proper books of account and other
books showing at all times the amount of funds and other property belonging to the
Corporation, all of which books shall be open at all times to inspection by the Member
and the Board of Directors. The treasurer shall also submit a report of the accounts and
financial condition of the Corporation at each annual meeting of the Member and the
Board of Directors. The treasurer shall, under the direction of the Board of Directors,
disburse all monies and sign all checks and other instruments drawn on or payable out
of the funds of the Corporation. The Board of Directors may authorize other officers,
employees or agents of the Corporation to sign checks without the counter signature of
the treasurer. Such checks, however, may also be required by the Board of Directors
to be signed by the president, chair, or vice chair. The treasurer shall also make such
transfers and alterations in the securities of the Corporation as may be ordered by the
Board of Directors. In general, the treasurer shall perform all the duties which are
incident to the office of treasurer, subject to the Board of Directors, and shall perform
such additional duties as may be prescribed from time to time by the Board of Directors
or the president. The treasurer shall give bond only of required by the Board of
Directors. In case of absence or disability of the treasurer, the Board of Directors may
appoint an assistant treasurer to perform the duties of the treasurer during such absence
or disability.
Section 4.04 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointment to that office.

Section 4.05 Subordinate Officers and Agents. The Board of Directors may appoint such other officers and agents as the business of the Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws or as the Board of Directors may from time to time determine.

Article V. COMMITTEES

Section 5.01 Committees. The Board of Directors may designate one or more committees as are necessary and which are not in conflict with other provisions of these Bylaws, and the duties of any such committee shall be prescribed by the Board of Directors upon its designation. Except as otherwise required by law, each committee shall consist of two or more persons appointed by the chair of the Board of Directors, who may, but need not be, directors of the Corporation. A committee shall limit its activities to the accomplishment of the tasks for which it is designated and shall have no power to act except as specifically conferred by action of the Board of Directors. Upon the completion of the task for which designated, such committee shall stand dissolved.

Section 5.02 Delegation of Power. In the event the Board of Directors delegates any of its powers to a committee, any actions by such committee shall be subject to approval by the Board of Directors, and, if required by these Bylaws, the Articles of Incorporation, or law, the Member.

Section 5.03 Quorum and Voting. A majority of the members of any committee shall constitute a quorum for the transaction of business at any meeting of such committee and the act of a
majority of the committee members present at a meeting at which a quorum is present shall be the act of the committee.

Section 5.04 Meetings and Notices. Meetings of any committee may be called by the president or the chair of the committee. Each committee shall meet as often as is necessary to perform its duties. Notice may be given at any time and in any manner reasonably designed to inform the members of the time and place of the meetings. Each committee shall keep minutes of its proceedings.

Section 5.05 Resignations and Removals. Any member of any committee may resign at any time by giving notice to the chair of the committee or the secretary of the Corporation. Unless otherwise specified in the notice, such resignation shall take effect upon receipt thereof, and the acceptance of such resignation shall not be necessary to make it effective. The Board of Directors may remove at any time with or without cause any member of any committee who was originally appointed thereto by the chair or Board of Directors as provided in these Bylaws.

Section 5.06 Vacancies. A vacancy on any committee shall be filled for the unexpired portion of the term of the former occupant in the same manner in which an original appointment to such committee is made.

Article VI. ACTION BY WRITTEN CONSENT

Section 6.01 Action by Majority Written Consent.

(a) Any action required to be taken at a meeting of the Member or Board of Directors, or which may be taken at a meeting of the Member, the Board of Directors or a committee may be taken without a meeting if a consent in writing, setting forth the action to be taken, is signed by the Member, a sufficient number of directors or committee members
as would be necessary to take that action at a meeting at which the Member, all of the directors or committee members were present and voted.

(b) Each consent shall bear the date of the signature of the Member, each director or committee member who signs the consent. A written consent not signed by the Member or signed by less than all of the directors or committee members is not effective to take the action that is the subject of the consent unless, within sixty (60) days after the date of the earliest dated consent delivered to the Corporation, a consent or consents signed by the required number of Members, directors or committee members is delivered to the Corporation at its principal place of business. Delivery shall be by hand or certified or registered mail, return receipt requested. Delivery to the Corporation's principal place of business shall be addressed to the president or principal executive officer of the Corporation.

(c) Prompt notice of the taking of any action by the Member, Board of Directors or a committee without a meeting by less than unanimous written consent shall be given to all Members, directors or committee members who did not consent in writing to the action.

(d) A telegram, telex, cablegram, or similar transmission by a Member, director or committee member or a photographic, photostatic, facsimile, or similar reproduction of a writing signed by a Member, director or committee member shall be regarded as signed by the director or committee member for purposes of this Section 6.01.

Article VII. NOTICES

Section 7.01 Form of Notice. Whenever under the provisions of these Bylaws, notice is required to be given to the Member, any director or committee member, and no provision is made as to how such notice shall be given, it shall not be construed to mean personal notice, but any such notice may be given in writing, by mail, postage prepaid, or by facsimile transmission, addressed to such Member, director or committee member at such address as appears on the books of the Corporation.
Any notice required or permitted to be given by mail shall be deemed to be given at the time the notice is deposited, postage prepaid, in the United States mail.

**Section 7.02  Waiver.** Whenever any notice is required to be given to the Member, any director or committee member under the provisions of these Bylaws, a waiver thereof in writing signed by the Member or 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.

**Article VIII.  GENERAL PROVISIONS**

**Section 8.01  Annual Review.** Annually, the Board of Directors and any Board committee with any power of the Board shall conduct a review of its activities to determine that such activities are in accordance with, support and further the charitable purposes of the Corporation.

**Section 8.02  Contributions.**

(a) Subject to applicable provisions of the Texas Non-profit Corporation Act ("the TNPCA"), from time-to-time (but at least once each calendar quarter) the Board of Directors shall determine in its reasonable judgment to what extent, if any, the Corporation's cash on hand exceeds its current and anticipated needs, including, without limitation, operating expenses, debt service, acquisitions and a reasonable contingency reserve. If the Board of Directors determines that such an excess exists, it may approve a charitable contribution to the Member, provided that such Member is at the time of such contribution, an organization described in section 501(c)(3) of the Code.

(b) Subject to applicable provisions of the TNPCA, from time-to-time, the Board of Directors may declare and cause property of the Corporation other than cash to be contributed to the Member, which contribution may be made subject to existing
liabilities and obligations, provided that the Member is at the time of such contribution an organization described in section 501(c)(3) of the Code.

(c) The Corporation is prohibited from declaring or making a dividend.

Section 8.03 Checks. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other agents or representatives of the Corporation as the Board of Directors may from time to time designate.

Section 8.04 Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors; provided, that if such fiscal year is not fixed by the Board of Directors it shall be September 1 through August 31.

Section 8.05 Seal. The Board of Directors may adopt a corporate seal to be in such form and be used in such manner as the Board of Directors shall direct.

Section 8.06 Books and Records. The Corporation shall keep books and records of account and shall keep minutes of the proceedings of its Member, its Board of Directors and each committee of its Board of Directors. Such records shall contain the names and addresses of all past and current member(s) of the Corporation and the number of member interests, if any, issued by the Corporation held by each of them.

Section 8.07 Invalid Provisions. If any provision of these Bylaws is held to be illegal, invalid, or unenforceable under present or future laws, such provision shall be fully severable; these Bylaws shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof; and the remaining provisions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance herefrom. Furthermore, in
lieu of such illegal, invalid, or unenforceable provision there shall be added automatically as a part of these Bylaws a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

Section 8.08  Heads. The headings used in these Bylaws are for reference purposes only and do not affect in any way the meaning or interpretation of these Bylaws.

Section 8.09  Corporate Practice of Medicine. Nothing herein shall be construed as empowering the Member, any officer or employee of the Member, or any non-physician whatsoever with the authority to interfere with the independent and professional practice of medicine by any director of the Corporation or any physician employee of the Corporation or to intervene in or interfere with the private physician-patient relationship established between any patient and any director of the Corporation or any physician employee of the Corporation. All such physicians shall remain at all times free to exercise their independent clinical judgments on behalf of their patients, subject only to oversight by and the authority of physician supervisors.

Section 8.10  Bylaws Interpretation. These Bylaws shall be interpreted in a manner that reserves to the Corporation through its retained physicians the sole authority to engage in the practice of medicine and reserves to the Corporation through its Board of Directors the sole authority to direct the medical, professional and ethical aspects of the practice of medicine.

Article IX.  INDEMNIFICATION

Section 9.01  Right to Indemnification. The Corporation shall, to the fullest extent to which it is empowered to do so by Art. 1396-2.22A of the TNPCA (but without reliance on subsection (2) of Section R of that statute) and in accordance with the procedures specified in that statute, (i) indemnify a
person who was, is, or is threatened to be made a named defendant or respondent in a proceeding because the person is or was a Director and (ii) pay or reimburse, in advance of the final disposition of the proceeding, the reasonable expenses incurred by such a person in connection with such a proceeding or in connection with the person's appearance as a witness or other participation in a proceeding in which the Corporation, a director or officer of the Corporation, or a former director or officer of the Corporation, was or is a named defendant or respondent. The Corporation shall (i) indemnify a person who was, is, or is threatened to be made a named defendant or respondent in a proceeding because the person is or was an officer of the Corporation and (ii) pay or reimburse, in advance of the final disposition of the proceeding, the reasonable expenses incurred by such a person in connection with such a proceeding or in connection with the person's appearance as a witness or other participation in a proceeding in which the Corporation, a director or officer of the Corporation, or a former director or officer of the Corporation, was or is a named defendant or respondent, in each case only to the extent that a director or former director of the Corporation would be entitled to indemnification and payment or reimbursement of expenses pursuant to the foregoing provisions of this Article 9. A person's right to indemnification pursuant to the foregoing provisions of this Article 9 shall not be affected by the fact that the liability against which indemnity is sought was wholly or partially a result of the person's sole or concurrent negligence.

Section 9.02 Appearance as a Witness. Notwithstanding any other provisions of this Article, the Corporation may pay or reimburse expenses incurred by a director or others in connection with his appearance as a witness or other participation in a proceeding at a time when such director is not a named defendant or respondent in the proceeding.
Section 9.03  Non-exclusivity of Rights. The right to indemnification and the advancement and payment of expenses conferred in this Article shall not be exclusive of any other right which a director or other individual person indemnified pursuant to Section 9.1 may have or hereafter acquire under any law (common or statutory), provision of the Articles of Incorporation, these Bylaws, agreement, vote of the Member or disinterested directors, or otherwise.

Section 9.04  Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself and any person who is or was serving as a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such individual person against such expense, liability or loss under this Article.

Section 9.05  Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each director or any other individual person indemnified pursuant to this Article as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the fullest extent permitted by any applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

Article X.  AMENDMENTS
Section 10.01 Amendments. These Bylaws may be altered, amended or repealed or new and other Bylaws may be made and adopted only by the Member, provided that any alteration, amendment or repeal of these Bylaws, or the adoption of new and other Bylaws of the Corporation must be approved by at least a majority of the Board of Directors, unless otherwise required by law including, but not limited to, requirements to obtain or maintain tax exemption. Such requirements may include, but shall not be limited to, a written request from the Internal Revenue Service for a representation or covenant by the Corporation that the power to alter, amend or repeal the Bylaws, or to adopt new and other Bylaws shall be vested solely in the Member. This Article 10 shall be deemed to be amended to be consistent with any such representation or covenant made by the Corporation to the Internal Revenue Service.

Article XI. CONFLICTS OF INTEREST POLICY

Section 11.01 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 and charitable corporations.

Section 11.02 Definitions.

(a) Interested Person. Any director, principal officer, or member of a committee with Board delegated powers who has a direct or indirect financial interest, as defined below, is an interested person. If a person is an interested person with respect to any
entity in the health care system of which the Corporation is a part, he or she is an interested person with respect to all entities in the health care system.

(b) **Financial Interest.** A person has a financial interest if the person has, directly or indirectly, through business, investment or family

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

(ii) a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement, or

(iii) 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 direct and indirect remuneration as well as gifts or favors that are substantial in nature.

**Section 11.03 Procedures.**

(a) **Duty to Disclose.** In connection with any actual or possible conflicts of interest, an interested person must disclose the existence of his or her financial interest and all material facts to the directors and members of committees with Board delegated powers considering the proposed transaction or arrangement.

(b) **Determining Whether a Conflict of Interest Exists.** After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he or she shall leave the Board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board or committee members shall decide if a conflict of interest exists.

(c) **Procedures for Addressing the Conflict of Interest.**

(i) 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.
(ii) 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.

(iii) 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.

(d) **Violations of the Conflicts of Interest Policy.**

(i) 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.

(ii) 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.

**Section 11.04 Records of Proceedings.** The minutes of the Board and all committees with Board delegated powers shall contain:

(a) the names of the persons who disclosed or otherwise were found to have a financial 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; and,

(b) the names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.
Section 11.05  Compensation Committees.

(a) A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.

(b) Physicians who receive compensation, directly or indirectly, from the Corporation, whether as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters.

Section 11.06  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:

(a) has received a copy of the conflicts of interest policy,

(b) has read and understands the policy,

(c) has agreed to comply with the policy; and,

(d) understands that the Corporation is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Section 11.07  Periodic Reviews. To ensure that the Corporation operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

(a) Whether compensation arrangements and benefits are reasonable and are the result of arm's-length bargaining;

(b) Whether acquisitions of physician practices and other provider services result in inurement or impermissible private benefit;
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 charitable purposes and do not result in inurement or impermissible private benefit; and,

Whether agreements to provide health care and agreements with other health care providers, employees, and third party payors further the Corporation's charitable purposes and do not result in inurement or impermissible private benefit.

Section 11.08 Use of Outside Experts. In conducting the periodic reviews provided for in Section 11.07, 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.

The foregoing Bylaws of Scott & White Clinic as amended were duly adopted on this 27th day of November, 2000.

Phillip T. Cain, M.D.
Secretary

Consent to Amendment by Sole Member

On this the ___ day of _________________, 2001, all of the above and foregoing Amendments to the Bylaws of Scott & White Clinic were presented to and approved by the Board of Trustees of Scott and White Memorial Hospital and Scott, Sherwood and Brindley Foundation.

Paul Dieckert, M.D.
Secretary