

# ARTICLES OF INCORPORATION

OF

## CLEARWATER VALLEY HOSPITAL AND CLINICS, INC

The undersigned, being a natural person of full age and a citizen of the United States, for the purposes of forming a nonprofit corporation under and pursuant to the provisions of Title 30, Chapter 3 of the Idaho Code, known as the Idaho Nonprofit Corporation Act, and laws amendatory and supplementary thereto, does hereby form a corporation and adopt the following Articles of Incorporation:

### ARTICLE 1.

#### Name

The name of the Corporation shall be Clearwater Valley Hospital and Clinics, Inc.

### ARTICLE 2.

#### Purposes

The Corporation is created and organized exclusively for charitable, religious, educational and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the United States Internal Revenue Code of 1986, as amended, or the corresponding provision of any future United States Internal Revenue law (hereinafter referred to as the Code). More specifically, the Corporation is created and organized to own, maintain, operate and conduct, directly or indirectly, and to assist and coordinate activities of facilities for health care, education, care for the aged and social services.

No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not

participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of (or in opposition to) any candidate for public office.

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

### **ARTICLE 3.**

#### **Powers**

Subject to the express purposes set forth above, the Corporation shall have the power to engage in, and to do, any lawful activity which nonprofit corporations may engage in or do under the laws of the State of Idaho and, specifically, to acquire, hold, pledge, mortgage, hypothecate, sell, give, lease, remodel, manage or otherwise dispose of or deal in real and personal property within or without the State of Idaho, whether owned by the Corporation or not, and to endorse, guarantee or assume the payment of, principal of, or interest on, bonds, notes, or other evidences of indebtedness or obligations, and to guarantee or assume the performance of any other contracts or other undertakings of any corporation, association, partnership or firm which is affiliated with this Corporation, as determined by the Member; provided, however, the Corporation shall not permit the following procedures to be performed at its facilities: abortions, euthanasia, or assisted suicide.

### **ARTICLE 4.**

#### **Nonprofit Corporation**

This Corporation is not organized for profit and shall not pay dividends or other pecuniary remuneration, directly or indirectly, to its directors or officers or to its members other than to members which are nonprofit organizations exempt from federal income tax under

Section 501(c)(3) of the Code, contributions to which are deductible under Section 170(c)(2) of the Code.

No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, its members, other than to members which are nonprofit organizations exempt from federal income tax under Section 501(c)(3) of the Code, contributions to which are deductible under Section 170(c)(2) of the Code, or to its directors, officers or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein.

#### **ARTICLE 5.**

##### **Duration**

The duration of the Corporation shall be perpetual.

#### **ARTICLE 6.**

##### **Location and Agent**

The location of the principal office of the Corporation in Idaho shall be 301 Cedar, Orofino, Clearwater County, Idaho 83544. The location of the registered office of the Corporation shall be 300 North Sixth Street, Boise, Idaho 83701. The registered agent shall be CT Corporation System, 300 North Sixth Street, Boise, Idaho 83701.

#### **ARTICLE 7.**

##### **Member**

The Corporation shall have one Member, which shall be Benedictine Health System, a Minnesota nonprofit corporation, located at 503 East Third Street, Duluth, Minnesota 55805. The Member shall have voting rights to the fullest extent permitted under Idaho law and to the extent necessary to exercise the powers set forth in Article 12.

## **ARTICLE 8.**

### **Directors**

The management of the Corporation shall be vested in a Board of Directors. Directors must be natural persons and a majority of the directors must be adults. The names, addresses and tenure in office of the individuals who are to serve as the initial voting directors are set forth on Exhibit A attached.

## **ARTICLE 9.**

### **Liability of Directors, etc.**

A member, director, officer or other agent of the Corporation is not, as such, personally liable for the acts, debts, liabilities or obligations of the Corporation.

## **ARTICLE 10.**

### **Capital Stock**

The Corporation shall issue no stock.

## **ARTICLE 11.**

### **Dissolution**

Upon the dissolution of the Corporation, all of the assets of the Corporation remaining after paying or making provision for the costs and expenses incident to the dissolution proceedings and the liabilities and obligations of the Corporation shall be distributed to the Corporation's Member provided that, at the time of the distribution, its Member is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Code, contributions to which are deductible under Section 170(c)(2) of the Code, subject, however, to any uses and purposes for which the assets have been received and held or any uses and purposes expressed or intended by the original donor; provided that if the Corporation's Member is not exempt, then to Benedictine Sisters Benevolent Association (BSBA), a Minnesota nonprofit corporation,

provided that, at the time of such distribution, BSBA is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Code, contributions to which are deductible under Section 170(c)(2) of the Code, subject, however, to any uses and purposes for which the assets have been received and held or any uses and purposes expressed or intended by the original donor; otherwise to such organization or organizations organized and operated exclusively for charitable, religious, educational or scientific purposes as shall at the time qualify as exempt organizations under Section 501(c)(3) of the Code, contributions to which are deductible under Section 170(c)(2) of the Code. Any of such assets not so disposed of shall be disposed of by a liquidation receiver or a court of competent jurisdiction, as such receiver of the Court or as such Court shall determine to an organization or organizations then exempt from taxation under Section 501(c)(3) of the Code, contributions to which are deductible under Section 170(c)(2) of the Code.

## **ARTICLE 12.**

### **Reserve Powers**

Section 1. Definitions. For the purpose of this Article 12, the following definitions shall apply:

- (a) "Subsidiary" means any organization controlled by this Corporation.
- (b) "Organization" means a domestic or foreign business or nonprofit corporation, limited liability company, whether domestic or foreign, partnership, limited partnership, joint venture, association, trust, estate, enterprise or other legal or commercial entity.
- (c) Control exists if an organization:
  - (i) owns, directly or indirectly, more than 50% of the stock ownership or membership interests of another organization;
  - (ii) has the right, directly or indirectly, to elect, appoint or remove more than

50% of the voting members of the governing body of another organization; or

(iii) has the power, directly or indirectly, to direct or cause the direction of the management and policies of another organization, whether through the ownership of voting interests, by contract, or otherwise.

Section 2. Member Reserve Powers. To the extent permitted under Idaho law and in addition to the powers and rights of the Member of the Corporation as set forth in Idaho law, elsewhere in these Articles of Incorporation and the Bylaws, the Member shall retain the powers and rights to do the following:

(a) Approve the creation or acquisition of any Subsidiary and the Articles and Bylaws of any Subsidiary before they become effective and any joint ventures involving the Corporation or any Subsidiary.

(b) Approve participation by the Corporation or any Subsidiary in any integrated delivery system.

(c) Approve the establishment of and changes, alterations or revisions to the mission and purposes of the Corporation or any Subsidiary.

(d) Amend, alter or revise the mission and purposes of the Corporation or any Subsidiary.

(e) Approve all amendments to the Articles of Incorporation and Bylaws of the Corporation or any Subsidiary before they become effective.

(f) Amend the Articles of Incorporation and the Bylaws of the Corporation or any Subsidiary.

(g) Elect or appoint the directors of the Corporation from among those persons recommended by the Board of Directors of the Corporation and remove a director of the Corporation, with or without cause, at any time.

(h) Approve the sale, lease, transfer, assignment, mortgage, encumbrance, pledge or other disposal of real estate of the Corporation or of any Subsidiary if the amount involved is \$500,000, or more, or such lesser amount as determined by the Member.

(i) Approve the sale, transfer disposal, discontinuance or other disposition of any personal property or service of the Corporation or of any Subsidiary which equals or exceeds \$500,000 in value in each of the last three fiscal years or has accounted for more than 5% of the revenues or expenses of the Corporation or of any Subsidiary in each of the last three fiscal years, whichever is the lesser amount.

(j) Approve all shared service arrangements involving the Corporation or any Subsidiary.

(k) Establish shared service arrangements for the Corporation or any Subsidiary.

(l) Approve all indebtedness of the Corporation or of any Subsidiary before it is incurred, which approvals may be general or confined to specific instances, if such indebtedness is equal to or in excess of \$500,000 in the aggregate or such lesser amount as determined by the Member.

(m) Designate the accounting policies and procedures of the Corporation and any Subsidiary.

(n) Approve the annual operating and capital budgets (including budgets for real estate acquisitions) of the Corporation and any Subsidiary and all material departures therefrom.

(o) Approve the selection\appointment of the independent auditors, general legal counsel (by individual or firm, or both) and special legal counsel not retained with general legal counsel of the Corporation and any Subsidiary.

(p) Approve all mergers, consolidations, liquidations or dissolutions involving

the Corporation or any Subsidiary.

(q) After prior notice to the voting directors of the Corporation or Subsidiary, the right, power and authority to select or appoint the chief executive officer of the Corporation and the chief executive officer of all Subsidiaries and the right, power and authority to remove, with or without cause, the chief executive officer of the Corporation and the chief executive officer of all Subsidiaries.

### ARTICLE 13.

#### Incorporator

The name and address of the incorporator of this Corporation is as follows:

Name

Address

Donald J. Leivermann

503 East Third Street  
Duluth, MN 55805

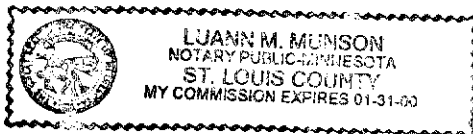
IN TESTIMONY WHEREOF, I have hereunto set my hand this 7th day of November, 1997.




Donald J. Leivermann  
Incorporator of Clearwater Valley  
Hospital and Clinics, Inc.

STATE OF MINNESOTA   )  
  )ss.  
COUNTY OF ST. LOUIS   )

The foregoing instrument was acknowledged before me this 7th day of November, 1997, by Donald J. Leivermann.



  
\_\_\_\_\_  
Notary Public

This instrument was drafted by:  
Johnson, Killen, Thibodeau & Seiler, P.A.  
811 Norwest Center  
Duluth, Minnesota 55802



## **EXHIBIT A**

### **Initial Voting Directors**

**Barry J. Halm  
Benedictine Health System  
503 East Third Street  
Duluth, Minnesota 55805**

**Donald J. Leivermann  
Benedictine Health System  
503 East Third Street  
Duluth, Minnesota 55805**

**David H. Amundson  
Benedictine Health System  
503 East Third Street  
Duluth, Minnesota 55805**