

Articles of Incorporation

FIRST: The name of the corporation is The Permanente Medical Group, Inc.

SECOND: The purpose of the corporation is to engage in the profession of medicine and in any other lawful activities (other than the banking or the trust company business) not prohibited to a corporation engaging in such profession by applicable laws and regulations.

THIRD: This corporation is a professional corporation within the meaning of Part 4 of Division 3 of Title 1 of the California Corporations Code.

FOURTH: This corporation is authorized to issue three classes of shares of Common Stock designated "Class Alpha Common Stock," "Class Beta Common Stock" and "Class C Common Stock." The number of shares authorized to be issued of Class Alpha Common Stock is 25,000, of Class Beta Common Stock is 250,000 and of Class C Common Stock is 500,000. The Class Beta Common Stock shall be divided into 50 series of 5,000 shares each, designated as follows: each series shall be identified with the numeral 1 through 50. As of the date of this Amended and Restated Articles of Incorporation, there are 19 series of Class Beta Common Stock designated and outstanding: Class Beta Common Stock Series 1, Class Beta Common Stock Series 2, Class Beta Common Stock Series 3, Class Beta Common Stock Series 4, Class Beta Common Stock Series 5, Class Beta Common Stock Series 6, Class Beta Common Stock Series 7, Class Beta Common Stock Series 8, Class Beta Common Stock Series 9, Class Beta Common Stock Series 10, Class Beta Common Stock Series 11, Class Beta Common Stock Series 12, Class Beta Common Stock Series 13, Class Beta Common Stock Series 14, Class Beta Common Stock Series 15, Class Beta Common Stock Series 16, Class Beta Common Stock Series 17, Class Beta Common Stock Series 18 and Class Beta Common Stock Series 19.

Each holder of record of shares of Class Alpha or Class Beta Common Stock shall be entitled to one vote for each share of such stock held of record by such holder on the record date for determination of Shareholders entitled to vote.

Except as otherwise provided herein or except as provided by law, all shares of Class Alpha Common Stock and Class Beta Common Stock shall vote together as a single class upon all matters upon which shareholders are entitled to vote. As to the election of directors and the employment of the Executive Director each Class of Common Stock shall have and be limited to the following rights:

(a) The holders of record of Class Alpha Common Stock shall have the right

- (1) to elect one director who shall serve for a term of six (6) years, designated as a "Six-Year Director,"
- (2) to vote for approval of the termination of employment as the Executive Director of the person serving as such officer of the corporation.

(b) The holders of record of each Series of Class Beta Common Stock, with each such series voting together as a single class, shall have the right

- (1) to elect one director from one or more candidates who shall serve for a term of three (3) years designated as a Three-Year Director, and
- (2) to elect one director who shall serve for a term of six (6) years, designated as a "Six-Year Director."

Except as required by law, Class C Common Stock shall have no voting rights. Shares of Class C Common Stock may be issued in fractional shares, which fractional shares shall entitle the holder, in proportion to such holder's fractional share, to all rights of a holder of a whole share of Class C Common Stock.

Dividends may be paid on all shares of stock out of funds legally available therefor as the Board of Directors may determine. All shares of stock shall participate equally in distributions made upon the winding up and dissolution of the corporation.

FIFTH: Shares of stock of the corporation shall be issued to or held by only a person who is:

(a) a physician who holds the degree of Doctor of Medicine, Doctor of Osteopathy, or Doctor of Podiatric Medicine (and boarded by the American College of Podiatric Surgeons) or Doctor of Dental Medicine (and practicing oral

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maxillofacial surgery);

(b) licensed to practice medicine by the Medical Board of the State of California or the Board of Osteopathy of the State of California or the Board of Podiatry of the State of California or licensed to practice dentistry by the State of California;

(c) a resident of the State of California; and

(d) an employee of the corporation whose regular work week is at least three (3) days or the equivalent thereof.

Shares of each of the respective series of Class Beta Common Stock may be held only by an employee of the corporation practicing medicine or dentistry at or affiliated with a Medical Center of the corporation designated as such by a resolution adopted by the Board of Directors.

The term "Medical Center" shall mean any facility the Board of Directors designates as a "Medical Center." Upon such designation the Board of Directors shall take such action as is necessary to authorize the issuance of shares of a separate series of Class Beta Stock to the shareholders employed at such Medical Center, shall issue such shares and shall take such other action as is appropriate.

Class Alpha Common Stock and Class C Common Stock may be held without regard to the Medical Center at which the holder thereof practices. Shares of stock shall be issued to such persons, for such consideration and upon such terms and conditions as the Board of Directors in its sole discretion may from time to time determine. No person shall hold more than one share of Class Alpha Common Stock. No person shall hold more than one share of Class Beta Common Stock.

SIXTH: The number of the corporation's directors shall not be less than 31 nor more than 60, with the exact number of directors to be fixed, within the limits specified, by a resolution adopted by the majority of the Board. The number of directors fixed by the Board shall at all times except as hereinafter provided reflect the following distribution: (a) one (1) Six-Year Director elected by the holders of Class Alpha Common Stock; (b) one (1) Six-Year Director elected by the holders of each Series of Class Beta Common Stock voting as a single class; and (c) one Three-Year Director elected by the holders of each Series of Class Beta Common Stock. Each Director must be a shareholder of the corporation.

SEVENTH: The election of each Director shall require an affirmative vote by mail ballot or electronic transmission to the corporation of a majority of the votes determined to be entitled to vote for such election. Nominations for each Six-Year Director shall be by the Board of Directors. The nomination for the Six-Year Director to serve as Executive Director shall be by at least 60% vote of the authorized number of Directors.

Election of all Three-Year Directors shall require the vote by mail ballot or electronic transmission to the corporation of the holders of the shares of each respective Series of Class Beta Common Stock as provided in Article Fourth (b)(i).

The position of the Six-Year Director elected by the holders of Class Alpha Common Stock shall be held only by a person who is employed by the corporation as its Executive Director. The term of office of the Six-Year Director serving as Executive Director shall expire upon the earlier of (a) the expiration of six years or (b) termination of such employment as Executive Director by at least 60% vote of the authorized number of Directors in conjunction with an affirmative vote by mail ballot or electronic transmission to the corporation of a majority of the votes determined to be entitled to vote for the election of such director or (c) the end of the month in which such Director reaches age 70. The position of a Six-Year Director elected by the holders of Class Beta Common Stock shall be held only by a person who is employed by the corporation as a Physician-in-Chief and the term of office of such Director shall expire upon the earliest of (a) the expiration of six years; (b) the end of the month in which each Director reaches age 65; or (c) removal as hereinafter provided. Any Six-Year Director may be removed as a Director only by a 60% vote of the authorized number of Directors in conjunction with an affirmative vote by a mail ballot or electronic transmission to the corporation of a majority of the votes determined to be entitled to vote for the election of such Director. The term of office of any Three-Year Director shall expire on the earliest of (a) the expiration of three years; (b) the end of the month in which such Director reaches age 65; or (c) removal as hereinafter provided. Any Three-Year Director may be removed as a Director only by an affirmative vote by mail ballot or electronic transmission to the corporation of a majority of the votes determined to be entitled to vote for the election of such Director.

Each Director, including a Director elected to fill a vacancy and whose term shall be as hereinafter provided, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified. If a successor has not been elected and qualified at the expiration of a term, such successor's term shall be the remaining balance of the term for which elected.

A vacancy or vacancies in the Board of Directors shall exist when any authorized position of Director is not then filled by a duly elected Director, whether caused by death, resignation, removal, increase in the authorized number of Directors, or otherwise. A vacancy may be filled only by a vote by mail ballot or electronic transmission to the

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corporation of the shareholders entitled to vote for the election of such Director. The term of office of a Three-Year Director or a Six-Year Director elected to fill a vacancy shall begin with the election of such Director and respectively be for a full three-year or six-year term thereafter. Any Director may resign effective upon the giving of written notice to the Chair of the Board or the Secretary, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective. Subject to such limitations as may be required by law, at the end of the month in which a Director not employed as the Executive Director reaches age sixty-five (65), such Director shall resign from the Board of Directors and, if applicable, from employment as Physician-in-Chief. The Six-Year Director employed as the Executive Director shall resign from the Board of Directors and from employment as Executive Director at the end of the month in which he or she reaches age 70.

EIGHTH: The Board of Directors shall have full and complete charge of the business affairs, administration and management of the corporation.

The Board of Directors shall adopt such procedures for the conduct of its business as it may in its sole discretion deem appropriate.

The Board of Directors may delegate the management of the business of the corporation as permitted by law provided that the business and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board.

NINTH: The officers of the corporation shall consist of the Chairman of the Board of Directors, the Vice-Chair of the Board of Directors, the Executive Director, the Secretary, the Assistant Secretary, the Chief Financial Officer and such other officers as the Board of Directors shall deem expedient, who except for the Executive Director shall be chosen by the Board of Directors in such a manner and hold their offices for such terms as the Board of Directors may prescribe. The Six-Year Director elected by the holders of the Class Alpha Common Stock shall, so long as serving as such Director, be the Executive Director of the corporation.

The terms of office (except for the Executive Director) and the salary of each of said officers and the manner and time of the payment of such salaries shall be fixed and determined by the Board of Directors and may be altered by said Board from time to time at its pleasure, subject to the rights, if any, of said officers under any contract of employment. Any officer of the corporation except for the Executive Director may be removed at the pleasure of the Board of Directors at any meeting. Any officer may resign at any time upon written notice to the corporation without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party. If any vacancy occurs in any office of the corporation except for the Executive Director, the Board of Directors may appoint a successor to fill such vacancy.

TENTH: The Executive Director shall have the following powers and duties:

(a) To act as the chief executive officer of the corporation and to have general supervision, direction and control of the business and affairs of the corporation.

(b) To affix the signature of the corporation to all deeds, conveyances, mortgages, leases, obligations, bonds, certificates and other papers and instruments in writing which in the judgment of the Executive Director should be executed on behalf of the corporation and, subject to the direction of the Board of Directors, to have general charge of the property of the corporation and to supervise and control all officers, agents and employees of the corporation.

(c) To supervise, direct and control activities with other entities necessary to the professional practice of the corporation and its employees.

(d) To select, subject to approval by the Board of Directors, the persons to serve as Director of Financial Services and as the General Counsel of the corporation.

(e) To recommend to the Board of Directors the persons to serve as Physicians-in-Chief and Physicians-in-Charge.

In case of the absence, disability or death of the Executive Director, the Chair of the Board of Directors shall exercise all the powers and perform all the duties of the Executive Director.

ELEVENTH: Unless otherwise specified in the notice thereof, meetings (whether regular, special or adjourned) of the Board of Directors of the corporation shall be held as the principal office of the corporation or at any other place within the State which has been designated from time to time by resolution of the Board or by written consent of all members of the Board.

Regular meetings of the Board of Directors, of which no notice need be given except as required by the laws of the State of California, shall be held at such times as the Board of Directors may in its sole discretion determine. To the

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extent practicable, regular meetings of the Board of Directors shall be held no less often than ten times per year.

Special meetings of the Board of Directors may be called at any time by the Chair of the Board or the Vice-Chair of the Board or the Secretary.

Except in the case of regular meetings, notice of which has been dispensed with, the meetings of the Board of Directors shall be held upon four (4) days' notice by mail or forty-eight (48) hours' notice delivered personally or by telephone, including a voice messaging system or by electronic transmission by the corporation. If the address of a Director is not shown on the records and is not readily ascertainable, notice shall be addressed to him or her at the city or place in which the meetings of the Directors are regularly held. Except as set forth in this Article, notice of the time and place of holding an adjourned meeting need not be given to absent Directors if the time and place be fixed at the meeting adjourned.

A majority of the authorized number of Directors constitutes a quorum of the Board for the transaction of business. The affirmative vote of a majority of the authorized number of Directors shall be required for any act done or decision made to be the act or decision of the Board of Directors except as otherwise provided in these Articles.

A majority of the Directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the Directors who were not present at the time of the adjournment.

Notice of a meeting need not be given to any Director who signs a waiver of notice or a consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such Director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of the Directors.

Members of the Board may participate in a meeting through the use of conference telephone or electronic video screen communication, as long as all members participating in the meeting are able to hear one another, or through electronic transmission by and to the corporation (other than conference telephone and electronic video screen communication), if

- (a) each member participating in the meeting can communicate with all of the other members concurrently and
- (b) each member is provided the means of participating in all matters before the Board, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the corporation.

Participation in a meeting pursuant to this Article constitutes presence in person at such meeting.

TWELFTH: Except as provided by law, no shares of any class of Common Stock of the corporation may be transferred by a shareholder, including to another shareholder, but may only be transferred to the corporation. All shares of each class of Common Stock shall be transferred to the corporation in complete redemption and cancellation thereof if

- (a) the shareholder dies;
- (b) the shareholder becomes a disqualified person as defined in Section 13401(d) of the California Corporations Code;
- (c) the shareholder's employment by the corporation is terminated by a two-thirds vote of the authorized number of Directors;
- (d) the shareholder's regular work week is reduced to less than three (3) days or the equivalent thereof;
- (e) the shareholder ceases to be a resident of the State of California; or
- (f) the shareholder's license to practice medicine is revoked by the Medical Board of the State of California or the Board of Osteopathy of the State of California.

The transfer in redemption and cancellation shall be made immediately upon the happening of the event specified in (a), (b), (c), (d), (e) or (f) above, and after the happening of such event neither the shareholder nor any successor thereto shall have any voting or other rights with respect to such stock except the right to receive payment therefor. The redemption price per share shall be its book value as most recently determined by the Board of Directors, which

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determination shall be binding and conclusive on all parties. The redemption price shall be paid in cash upon transfer of such stock.

No employee whose regular work week is at least three days or the equivalent thereof and who is a shareholder of the corporation shall have employment terminated by the corporation except by a two-thirds vote of the authorized number of Directors.

THIRTEENTH: Indemnification of Directors, officers and employees shall be as provided for in this Article.

(a) For the purpose of this Article, “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 foreign or domestic corporation, partnership, joint venture, trust or other enterprise or was an agent of a partnership which was a predecessor of the corporation or of another enterprise at the request of such predecessor, “proceeding” means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative; and “expenses” includes without limitation attorneys’ fees and any expenses of establishing a right to indemnification under subdivision (d) or paragraph (3) of subdivision (e).

(b) Subject to the specific determination required by subdivision (e), the corporation shall, and it hereby agrees to, indemnify any 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 to procure a judgment in its favor) by reason of the fact that such person is or was an agent of the corporation, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding if it is determined pursuant to subdivision (e) that such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the corporation and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person 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 the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the corporation or that the person had reasonable cause to believe that the person’s conduct was unlawful.

(c) Subject to the specific determination required by subdivision (e), the corporation shall indemnify any 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 such person is or was an agent of the corporation, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if it is determined pursuant to subdivision (e) that such person acted in good faith, in a manner such person believed to be in the best interests of the corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. No indemnification shall be made under this subdivision (c) in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation in the performance of such person’s duty to the corporation, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for the expenses which such court shall determine.

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

(e) Except as provided in subdivision (d), any indemnification under this Article shall be made by the corporation only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in subdivision (b) or (c), by:

- (1) A majority vote of the authorized number of Directors except for those members of the Board of Directors who are parties to such proceeding and with such Directors not being entitled to vote thereon; or
- (2) Approval by the holders of a majority of the outstanding shares of Class Alpha Common Stock and Class Beta Common Stock voting together as a single class, with the shares owned by the person or persons indemnified not being entitled to vote thereon; or
- (3) The court in which such proceeding is or was pending upon application made by the corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney or other person is opposed by the corporation.

(f) Expenses incurred in defending any proceeding shall be advanced by the corporation prior to 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 be determined ultimately that the agent is entitled to be indemnified as authorized in this Article.

(g) No provision made by the corporation to indemnify its directors or officers for the defense of any proceeding,

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whether contained in a resolution of shareholders or directors, an agreement or otherwise, shall be valid unless consistent with this Article. Nothing contained in this Article shall affect any right to indemnification to which persons other than such directors and officers may be entitled by contract or otherwise.

(h) No indemnification or advance shall be made under this Article, except as provided in subdivision (d) or paragraph (3) of subdivision (e), in any circumstance where it appears:

(1) That it would be inconsistent with any other provision of these Articles, or

(2) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

(i) The corporation shall have 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 such capacity or arising out of an agent's status as such whether or not the corporation would have the power to indemnify the agent against such liability under the provisions of this Article.

(j) This Article does not apply to any proceeding against any trustee, investment manager or other fiduciary of an employee benefit plan in such person's capacity as such, even though such person may also be an agent as defined in subdivision (a) of the employer corporation. The corporation shall, and it hereby agrees to, indemnify each officer, director or employee of the corporation against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any action taken or omitted by such person in such person's capacity as trustee, investment manager or other fiduciary of any employee benefit plan of the corporation unless, or to the extent that, the Board of Directors of the corporation shall reasonably determine that any such action so taken or omitted by such person constituted gross negligence or willful misconduct on the part of such person. Expenses reasonably incurred by any such person in defending any liability asserted against such person in any such capacity shall be advanced by the corporation but shall be repaid to the corporation by such person if, or to the extent that, the Board of Directors of the corporation shall reasonably determine that the action allegedly taken or omitted by such person upon which the asserted liability is based constituted gross negligence or willful misconduct on the part of such person.

(k) Nothing in this Article shall restrict the power of the corporation to indemnify its agents under any provision of the California General Corporation Law, as amended from time to time, or under any other provision of law from time to time applicable to the corporation, nor shall anything in this section authorize the corporation to indemnify its agents in situations prohibited by the California General Corporation Law or other applicable law.

FOURTEENTH: By-laws of the corporation may be adopted, amended or repealed either by approval by vote of a majority of the outstanding shares of Class Alpha Common Stock or by the approval by vote of the Board of Directors. The outstanding shares of Class Beta Common Stock shall have no right to vote on the adoption, amendment or repeal of the By-laws of the corporation. Approval by vote of the shareholders shall be by mail ballot or electronic transmission to the corporation.

FIFTEENTH: Amendments to these Articles of Incorporation may be adopted by approval by vote of a majority of the outstanding shares entitled to vote thereon and the approval by at least 60% vote of the authorized number of Directors. Approval by vote of the shareholders shall be by mail ballot or electronic transmission to the corporation. Such vote by the shareholders shall require that the amendment first be proposed at a meeting of the shareholders conducted in person or through the use of conference telephone, video screen communication, webcast, or similar electronic means prior to the mailing or electronic transmission of the ballot.

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