OHSU + LEGACY

Expanding care, accelerating impact

Definitive Agreement Summary of Terms

Oregon Health Sciences University (OHSU) and Legacy Health ("Legacy"), collectively the "Parties," have signed "Definitive Agreements" pursuant to which they will affiliate to create a combined health care system (the "Combined System") under OHSU as the Combined System's sole corporate parent.

VISION AND OBJECTIVES

The Parties' primary objectives in forming the Combined System are to:

- Create a combined organization that is better able to achieve the Parties' respective missions to improve the health and well-being of people, patients, and the broader community.
- Combine and coordinate care and complementary services across the Parties' locations in Oregon and Washington State to offer high quality and cost-effective delivery of inpatient and outpatient healthcare in those locations.
- Build upon the Parties' complementary strengths in providing care in academic and community-based facilities.
- Utilize the best practices and combined strengths of each of Parties to enhance quality, access and efficiency across the combined enterprise.
- Maintain and improve health care access to underserved, vulnerable populations in urban, suburban, and rural locations.
- Expand access to clinical trials, other research and innovation to advance the Parties' respective missions.
- Expand relationships with physicians and other health care practitioners using employment and other engagement models to provide fully integrated services across the continuum of care.
- Obtain the benefits of certain economies of scale in order to accelerate improvements in operational cost-efficiencies and service effectiveness, while reinvesting savings to improve quality, advance technology, broaden access to care and develop new and enhanced services.
- Strengthen the long-term financial health of the combined enterprise to enable it to better: (a) make significant capital improvements as needed from time to time to operate a state-of the-art health system and to respond to changes in technology, demographics, and care

management models; and (b) withstand the high volatility in the health care services industry (due to labor shortages, inflation, dependence on government payors and other factors).

- Enhance the current academic footprint of the Combined System in order to: (a) expand the education and training opportunities of future health care practitioners; and (b) enhance research activities across more diverse populations and a broader range of services.
- Enhance the ability of the combined Oregon and Washington State-based system to provide high quality care at reasonable cost, and thereby deliver substantial value to patients and payors, by achieving efficiencies, investing in new systems and technologies, and leveraging the best practices of both systems.
- Accelerate the ability of the Combined System to continue to transition to value-based care models.

SUMMARY OF OHSU/LEGACY TRANSACTIONS

1. **Legacy Health to Become an Integral Part of OHSU**.
   a. At the closing of the transactions (the "Closing"), the legal entities that comprise the Legacy system will largely remain intact but Legacy will become a wholly owned subsidiary of OHSU. Consequently -- with two exceptions noted below -- OHSU also will become the indirect sole owner of all subsidiaries of Legacy, as well as the indirect owner of all joint venture interests owned by Legacy. Effectively, the entire Legacy system will become part of the overall OHSU system at Closing.
   b. The two exceptions are the Legacy Health Foundation (the "Foundation") and Legacy's 50% joint venture interest in the PacificSource health plan ("PacificSource").
   c. The Foundation will be spun-off of Legacy at or immediately prior to Closing and become independent of both Legacy and OHSU (and will be renamed accordingly). Post-Closing, the Foundation's mission will be to promote health and health equity in the community, and support initiatives that address community health needs, solely by making grants from the various sources of funds described below that will be transferred to it in connection with the transaction. The Foundation will not engage in fundraising after the Closing (but may receive unsolicited donations). The Foundation also (i) will not make grants to any hospital-based health system that is in competition with the OHSU System for purposes of engaging in activities that are competitive with the OHSU, in whole or in part, as opposed to the purpose of addressing community health needs and otherwise furthering the mission of Legacy Health Foundation; and (ii) will allow OHSU to compete for grants on an equal footing with other organizations.

2. **Division Structure**.
   a. In order to facilitate the integration of Legacy into OHSU, post-Closing the Combined System will be operated as two divisions, neither of which will be entirely composed of facilities that were owned by one system or the other pre-Closing.
      i. The "Portland Division" will be comprised of Doernbecher Children's, Legacy Emanuel Medical Center, Legacy Good Samaritan Medical Center, OHSU Hospital, Randall Children's and Unity Center for Behavioral Health.

ii. The "Regional and Ambulatory Division" will be comprised of Adventist Health, Hillsboro Medical Center, Legacy Meridian Park Medical Center, Legacy Mount Hood Medical Center, Legacy Salmon Creek Medical Center, Legacy Silverton Medical Center and all ambulatory services.

b. Both divisions will be governed under a unified governance structure, with management of each division reporting to a single Health System Chief Executive Officer (who shall be appointed by the OHSU President).

3. **Consideration.**
   a. OHSU will (i) transfer at Closing to the Foundation Legacy's "Net Cash"; and (ii) commit to make capital expenditures over the next several years (the "Capital Commitment"), primarily (but not solely) at facilities and/or programs that were part of the Legacy system pre-Closing.
   b. The Legacy Net Cash to be transferred to the Foundation at Closing shall be Legacy's unrestricted cash and investments at Closing, minus all of the outstanding debt of Legacy at Closing, plus or minus a number of additional negotiated adjustments (including an adjustment to maintain at Legacy – and thus withhold from the amount transferred to the Foundation – a typical amount of working capital). Although the precise amount of Net Cash to be transferred to the Foundation will not be known with certainty until Closing, it was estimated at approximately $350 Million as of December 31, 2023.
   c. The Capital Commitment totals approximately $1 Billion. A small portion (approximately 10%) must be spent on projects that have commenced or that have been approved (and for which expenditures have been earmarked) within five (5) years following the Closing; another $600 Million on projects that have commenced or that have been approved (and for which expenditures have been earmarked) within six (6) years following the Closing; and the balance on projects that have commenced or that have been approved (and for which expenditures have been earmarked) within ten (10) years following the Closing. However, each of these time periods may be extended for up to three (3) years in the case of certain "exigent circumstances."
   d. Subject to certain limitations, Capital Commitment expenditures may include routine and non-routine capital expenditures at existing (as of Closing) Legacy Health facilities, whether in the Regional and Ambulatory Division or the Portland Division; expenditures on information technology at the Regional and Ambulatory Division facilities; the possible migration to a single instance of Epic; expenditures on new or expanded programs and lines of services at existing (as of Closing) Legacy Health facilities; and expenditures on new or expanded facilities, capabilities and programs that will be part of the Regional and Ambulatory Division.

4. **Indemnification.** One of the adjustments to the Net Cash to be transferred to Legacy at Closing is a holdback that will be held by OHSU in a segregated fund, invested conservatively, and used to pay any Legacy indemnification obligations. Over time, any amounts held back that are not needed to fund any such Legacy indemnification obligations will be remitted to

the Foundation in support of its activities described above.

5. **Governance Matters**
   a. OHSU has agreed that as vacancies arise on the OHSU Board following the Closing from seats appointed by the Governor (and not reserved to the OHSU President, an OHSU faculty member, staff member or student), OHSU shall include in its list of potential nominees recommended to the Governor to fill such vacancies certain individuals proposed by the (now independent) Foundation. This obligation continues until three OHSU Board seats have been filled by Foundation nominees or for 10 years, whichever comes first. The Foundation Board and OHSU will work cooperatively to identify Foundation Board nominees for the OHSU Board who will meet any criteria for appointment that the Governor indicates will be necessary or desired.
   b. The current Health System Board will be reconstituted at Closing, so that at that time it will be comprised of 11 members, 6 of whom will be appointed by a majority of the Board of Directors of Legacy Health no later than thirty (30) days prior to the anticipated Closing Date with such appointment effective upon the Closing (the "Legacy Appointees") and 5 of whom shall be appointed by the OHSU Board (the "OHSU Appointees"). The OHSU Appointees may include current members of the OHSU Board and shall include the OHSU President (ex-officio with vote), who will Chair the Health System Board.
   c. As vacancies arise on the Health System Board following the Closing, the remaining Legacy Appointees will fill any vacancy in a Legacy Appointee seat, and the remaining OHSU Appointees will fill any vacancy in an OHSU Appointee seat.
   d. The authorities of the Health System Board are limited to the following: (a) governance authority solely over professional staff privileging and quality assurance/performance improvement at all Health System divisions and licensed facilities; and (b) the right to make non-binding recommendations to the OHSU Board with respect to Health System strategy and proposed Health System expenditures (including expenditures of the Capital Commitment).
   e. The provisions of subsections b. through d. above will remain in place until the earlier of 6 years following the Closing or the date the Capital Commitment has been fully expended or earmarked. After that time, the Health System Board may be reconstituted or dissolved, or its authorities may be changed, in each case at the discretion of the OHSU Board (or the OHSU President if the OHSU Board has delegated the authority to make such decisions to the OHSU President).

6. **Physicians and Advanced Practice Providers**
   a. No current physicians or APP in good standing will lose or have materially changed medical staff membership or clinical privileges upon the consummation of the System Combination transaction.
   b. The Parties will work together to determine integration of physician and advanced practice provider arrangements, to include merging of employed-physician groups, merging clinically integrated networks, advancing service line structures across combined system, and/or developing system-wide methodologies for physician compensation.

c. Medical Staff Bylaws will be made reasonably uniform, although differences may exist between Portland Division and Regional/Ambulatory Division
d. No current Legacy physicians or APPs will be required to engage in teaching activities unless their current employment agreements so provide, although the Parties anticipate expanding OHSU's teaching and training activities to facilities that were part of the Legacy prior to the System Combination.

7. Employees

a. After closing, employees of Legacy Health and OHSU who are in good standing (i.e., not subject to final corrective action within the last six months) will remain employees within the Combined System. Since, as noted, the Legacy legal entities will remain intact at Closing, immediately at Closing the Legacy employees will remain employed by the same legal entity as previously and will remain subject to the terms of their existing collective bargaining agreements, but now as part of the Combined System under OHSU. All such employees shall also retain their benefits and seniority at Closing. However, since OHSU will be the Combined System's parent entity with the ability to control all of its subsidiaries, all such Legacy employees will become public employees of the State of Oregon.
b. Over time as integration plans are implemented post-closing:
    i. Some employees may migrate to a different employer within the Combined System, or to a different location or job function, to enhance Combined System's effectiveness and operational integration.
    ii. Subject to the terms of applicable collective bargaining agreements, any employee who is moved from one Combined System legal entity to another shall receive service credit for the time spent at his or her current (i.e., prior to migration) employer and OHSU shall use reasonable best efforts to ensure that any such changes do not result in a material loss of compensation or a material reduction in aggregate benefits for the affected employees.
    iii. Subject to the results of OHSU's due diligence review of Legacy Health, including without limitation an evaluation of Legacy Health's turn-around plan and results as of Closing, OHSU shall not make any reductions in workforce for at least the first six (6) months following the Closing of any employees who at Closing are actively employed in good standing (i.e., not subject to final corrective action within the last six months) by a Legacy Health Entity.
    iv. The OHSU board will evaluate the feasibility and appropriateness of moving to integrated system-wide employment policies over time, including a single compensation system and employee benefits across all combined system entities, subject to applicable Legal Requirements and the terms of collective bargaining agreements.

Down the line, if any employee is terminated as a result of integration efforts, they will be provided severance in accordance with applicable policy and be given priority status to fill system vacancies.

8. **Branding**
    a. The name of the combined system shall be OHSU Health, and the general branding of the combined system shall be that of OHSU.
    b. Existing Legacy Health facilities will retain their existing names but with “OHSU” replacing “Legacy” at the beginning of such names (e.g., at Closing, “Legacy Emanuel Medical Center” shall become “OHSU Emanuel Medical Center” and “Legacy Good Samaritan Medical Center” shall become “OHSU Good Samaritan Medical Center”).
    c. The retained portion of existing facility names may be changed by the OHSU Board after Closing if the OHSU Board determines in good faith that the name is associated with historical harm.

9. **Current Foundations**
    a. In addition to the current Legacy Health Foundation described in Section 1 (which as noted, will be spun-off and become independent after the consummation of the System Combination), each Party currently operates a number of Foundations in support of their various activities. Those existing foundations will remain intact at closing and for at least two years thereafter.
    b. Donor intent shall at all times be respected.
    c. Leaders of both Legacy and OHSU existing foundations will work in good faith to ensure any post-closing operational and leadership transitions minimize disruption and support the mission of existing foundations.

10. **Integration Plan**
    a. The President and CEO of OHSU and President and CEO of Legacy will establish a Transition and Integration Management Office (TIMO). The TIMO will be led by a Chief Transition and Integration Officer and will have representatives from both organizations. The Chief Transition and Integration Officer could come from Legacy, OHSU, or be an external candidate. The TIMO will be focused on the following activities, with clear deliverables, all in accordance with permissible antitrust guidelines:
        - developing plans for Day 1 post-closing;
        - overseeing workstreams for integration planning, including engaging both employed and independent providers from both systems; and
        - conducting a cultural assessment.

11. **Government Approvals/ Limited “Outs”**

    As with all transactions of this type, its consummation (i.e., the Closing) is subject to receiving regulatory approvals and to certain other “conditions to Closing” of each Party that must be satisfied unless waived. This means that the Definitive Agreements may be terminated prior to the consummation of the Combined System in a few limited circumstances. These mainly include:

a. Disclosure Schedule Update Termination Right: As is typical in these transactions, as of the signing of the Definitive Agreements, Legacy has made disclosures of certain matters that may adversely affect its operations, financial conditions or legal exposures. Legacy may update these disclosures between the signing of the Definitive Agreements and the Closing. However, OHSU may terminate the Definitive Agreements if more than $100 Million in potential liabilities, in the aggregate, as disclosed in a Legacy disclosure updates after the Definitive Agreements are executed. If there is a dispute as to whether the amount of newly disclosed potential liabilities exceeds this threshold, an independent third-party valuation firm will make the determination.
b. Combined System Credit Rating Termination Right: OHSU may terminate the Definitive Agreements if the Combined System receives a new credit rating below "A3" by Moody's or below "A-" by S&P.
c. Regulatory Condition Termination Right – OHSU: OHSU may terminate the Definitive Agreements if conditions on the combination imposed by regulators would result in costs or lost revenues from third party payors that exceed in the aggregate $200 Million over a five year period following the Closing. If OHSU terminates for this reason, it will pay a $25 million termination fee to Legacy. If there is a dispute as to whether conditions on the combination imposed by regulators would result in costs or lost revenues from third party payors that exceed the $200 Million threshold, an independent third-party valuation firm will make the determination.
d. Regulatory Condition Termination Right – Legacy: Legacy may terminate the Definitive Agreements if conditions on the combination imposed by regulators would result in a reduction of amount of cash to be transferred to the Foundation at Closing by more than $$50 Million.
e. Regulatory Impossibility or Outside Date: Either Party may terminate the Definitive Agreements if regulatory approval is impossible or not complete by an outside date (18 months after the required regulatory filings).
f. Material Adverse Change: Either Party may terminate the Definitive Agreements if there has been a "Material Adverse Change" in the condition or operations or prospects of the other Party.
g. Material Breach: Either Party may terminate the Definitive Agreements if the other Party is in material breach of the Definitive Agreements and the breach is not cured within 30 days.