

MEMORANDUM

Date: January 16, 2023

Re: Member Agreement / Project Bouquet – high-level summary of member rights

Member Agreement, September 1, 2016 (PacificSource, PHA, Legacy Health):

1. Neither PHA nor Legacy may “sell, otherwise dispose of, or encumber” its member interest in PacificSource, except as allowed by the Member Agreement. Section 2.1.
2. A transfer of a member interest following the initial five-year period after the transaction closes invokes a right of first offer for the non-selling member or “tag along” rights.
 - a. Right of First Offer: Section 2.4(a).
 - i. If the selling member wishes to sell all or a portion of its member interest, then it must provide written notice and the non-selling member has 30 days to provide written notice to the selling member of its interest in purchasing that interest.
 - ii. If notice occurs, but the parties are unable to reach agreement, then the selling member may offer its interest to a Qualified Corporation. The Member Agreement defines “Qualified Corporation” as an Oregon nonprofit public benefit corporation or a foreign nonprofit corporation (must be akin to an Oregon nonprofit public benefit corporation).
 - b. Tag-Along Rights: Section 2.4(b).
 - i. If the selling member proposes to sell all or a portion of its member interest to a Qualified Corporation that is not a member of PacificSource and such a sale is permitted under the Member Agreement, then the selling member must give the other member written notice of the proposed transfer, including the terms of that transfer.
 - ii. The other member has 30 days to send written notice of its intent to participate in such a sale, by selling a portion of its own member interest, on substantially the same terms as the selling member.
3. Any member may initiate a buy-sell option by providing written notice to the other member after a transfer of control of the member to a third party acquiror. Section 2.6.
 - a. If such a transaction occurs, the initiating member has the option to (1) purchase the other member’s interest or (2) require the other member to purchase the initiating member’s interest (terms defined in the Member Agreement).
 - b. “Control” is defined as the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through ownership of voting securities, by the appointment of persons to a governing board, by being a member of a nonprofit entity, or otherwise.
4. A member may freely transfer its member interest to the member’s subsidiaries or controlled or controlling affiliates that are Qualified Corporations and the governing documents of which reflect corporate purposes consistent with the corporate purposes of PacificSource. Section 2.8.
5. The parties intend that the Health Plans (defined in the Member Agreement) provided by or through the PacificSource family of companies will be the only Health Plans in which Legacy and PHA will have an interest. Section 3.

- a. Without agreement by both members, neither member may directly or indirectly start a Health Plan or pursue a transaction where a Health Plan is the predominant operation or value.
 - b. If either Legacy or PHA directly or indirectly acquires a health system that has a Health Plan as a minor portion of the transaction (less than 20% of the health system's EBITDA), then that member will integrate the Health Plan into PacificSource.
6. No PacificSource entity may have a new member without the consent of the existing PacificSource members. Section 4.