

MEMBER INTEREST ACQUISITION AGREEMENT

AMONG

LEGACY HEALTH

PACIFICSOURCE

PACIFICSOURCE SUBSIDIARIES AND AFFILIATES

AND

PACIFIC HEALTH ASSOCIATES

December 18, 2015

Table of Contents

	Page
1. Incorporation of Recitals	2
2. Definitions	2
3. Reorganization of PacificSource	12
3.1 Amended and Restated Articles of Incorporation	12
3.2 Interim Amended and Restated Bylaws	13
3.3 Status of PHA.....	13
3.4 Distribution of the Real Property.	13
3.5 Tax Liabilities	14
3.6 Member Agreement	14
3.7 Amended and Restated Bylaws.....	14
3.8 Legacy’s Contribution of Capital to PacificSource	14
3.9 PHA’s Deemed Contribution of Capital to PacificSource	16
3.10 Strategic Plans and Capital and Operating Budgets.....	16
4. Agreements between PacificSource and/or the PacificSource Affiliates and Legacy and/or Legacy Affiliates	16
5. Corporate Opportunity.....	16
6. Legacy’s Tax Exempt Status	17
7. Closing.....	17
7.1 Closing Date.....	17
7.2 Deliveries by the PacificSource	17
7.3 Deliveries by Legacy.....	18
8. Conditions to Closing	19
8.1 Conditions Precedent to the Obligations of the Parties.....	19
8.2 Conditions Precedent to the Obligations of PacificSource and the	

	PacificSource Affiliates	19
8.3	Conditions Precedent to the Obligations of Legacy.....	21
8.4	Required Consents	22
9.	HSR Act.....	23
10.	Further Covenants of PacificSource and the PacificSource Affiliates	23
10.1	Conduct of Business.....	23
10.2	No Change in Ownership of the PacificSource Affiliates	24
10.3	Distributions.....	25
10.4	Access to Information	25
10.5	Reasonable Efforts	25
10.6	Notices of Certain Events.....	25
10.7	Updated Disclosure Schedules.....	25
10.8	Consents of Third Parties; Governmental Approvals	26
11.	Representations and Warranties of the PacificSource Entities and PHA.....	26
11.1	Corporate Organization.....	26
11.2	Due Authorization.....	26
11.3	Governmental Authorization.....	27
11.4	No Conflict.....	27
11.5	Financial Statements	28
11.6	Absence of Certain Changes	28
11.7	No Undisclosed Liabilities.....	31
11.8	PacificSource Contracts	31
11.9	Compliance with Laws.....	32
11.10	Providers, Provider Contracts and Payor Contracts.....	33
11.11	Regulatory Matters.....	34

11.12	Medicare and Medicaid Participation	35
11.13	Penalties Under Medicare/Medicaid Programs.....	36
11.14	Recoupment Proceedings	36
11.15	Producers, Producer Contracts and Commissions	36
11.16	Compliance.	37
11.17	Litigation	37
11.18	Properties.....	38
11.19	Intellectual Property	39
11.20	Insurance Coverage	40
11.21	Employees	40
11.22	Employee Benefit Plans	41
11.23	Labor Matters	43
11.24	Tax Matters	44
11.25	Environmental Matters.....	45
11.26	Transactions with Affiliates	46
11.27	Books and Records.....	46
11.28	Powers of Attorney	46
12.	Representations, Warranties and Covenants of PHA	46
13.	Representations and Warranties of Legacy	46
13.1	Corporate Organization	46
13.2	Due Authorization	47
13.3	No Conflict.....	47
13.4	Litigation and Proceedings.....	47
13.5	Compliance with Laws.....	47
13.6	Medicare and Medicaid Participation	48

13.7	Financial Ability.....	48
13.8	Solvency.....	48
13.9	Absence of Certain Changes.....	48
13.10	No Outside Reliance.....	48
13.11	Acquisition of Member Interest for Investment.....	49
13.12	Legacy Financial Statements; Undisclosed Liabilities; Absence of Changes.....	49
14.	Indemnification.....	50
14.1	Representations and Warranties Insurance Policy.....	50
14.2	Survival.....	50
14.3	Indemnification.....	51
14.4	Third Party Claim Procedures.....	51
14.5	Direct Claim Procedures.....	52
14.6	Calculation and Recovery of Damages.....	53
14.7	Materiality.....	55
14.8	Limitations on Indemnification Liability.....	55
14.9	Assignment of Claims.....	55
14.10	Claims Unaffected by Investigation.....	55
15.	Miscellaneous Provisions.....	56
15.1	Construction.....	56
15.2	Survival of Covenants.....	57
15.3	Notices.....	57
15.4	Assignment; Binding Effect.....	58
15.5	Expenses.....	58
15.6	Governing Law.....	58
15.7	Headings.....	58

15.8	Schedules and Exhibits	58
15.9	Entire Agreement	59
15.10	No Waiver; Cumulative Remedies.....	59
15.11	Amendments	59
15.12	Publicity	59
15.13	Severability	59
15.14	Jurisdiction	59
15.15	Attorneys' Fees	60
15.16	Expenses.....	60
15.17	Further Assurances.....	60
15.18	Third Party Beneficiaries	60
15.19	Specific Performance	60
15.20	No Rescission.....	60
15.21	Counterparts; Facsimile Signatures.....	60

SCHEDULES

EXHIBITS

- Exhibit A – Restated Articles of Incorporation of PacificSource
- Exhibit B – Interim Restated Bylaws of PacificSource
- Exhibit C – Legal Descriptions of Springfield Real Property and Bend Real Property
- Exhibit D – Restated Bylaws of PacificSource to be Effective as of Closing
- Exhibit E – Member Agreement

MEMBER INTEREST ACQUISITION AGREEMENT

THIS MEMBER INTEREST ACQUISITION AGREEMENT (“**this Agreement**”) is made and entered into effective December 18, 2015 (the “**Effective Date**”), by and among LEGACY HEALTH, an Oregon nonprofit public benefit corporation (“**Legacy**”), Pacific Health Associates, an Oregon nonprofit public benefit corporation (“**PHA**”), PACIFICSOURCE, an Oregon nonprofit public benefit corporation (“**PacificSource**”), PACIFICSOURCE HEALTH PLANS, an Oregon nonprofit public benefit corporation (“**PSHP**”), PACIFICSOURCE COMMUNITY HEALTH PLANS, an Oregon nonprofit public benefit corporation (“**PCHP**”), PACIFICSOURCE COMMUNITY SOLUTIONS, INC., an Oregon corporation (“**PCS**”), PACIFICSOURCE ADMINISTRATORS, INC., an Oregon corporation (“**PSA**”), and PRIMARY HEALTH, INC., a Delaware corporation (“**PHI**”). (PSHP, PCHP, PCS, PSA and PHI, and any other subsidiary or Affiliate of PacificSource now existing or, if the context so requires, subsequently created, may be referred to collectively in this Agreement as the “**PacificSource Affiliates**” or individually as a “**PacificSource Affiliate**”; provided, however, that PHA shall not be deemed a PacificSource Affiliate for purposes of this Agreement.) All of the parties to this Agreement may be referred to collectively in this Agreement as the “**Parties**” or individually as a “**Party**.”

RECITALS

A. PacificSource is a taxable Oregon nonprofit public benefit corporation without members, which, through the PacificSource Affiliates, provides commercial health and dental plan products, third party administration of self-insured health plans, Medicare Advantage plans, Coordinated Care Organization services under the Oregon Health Plan, and provider network services, some or all of such products and services being offered in Oregon, Washington, Idaho and Montana. PacificSource is the sole member of PSHP, a taxable Oregon nonprofit public benefit corporation authorized to do business as a healthcare service contractor, which provides commercial health and dental plans for groups and individuals. PSHP is the sole member of PCHP, a taxable Oregon nonprofit public benefit corporation authorized to do business as a healthcare service contractor, which provides Medicare Advantage plans. PCHP is in turn the sole shareholder of PCS, an Oregon for profit corporation that is a duly authorized Oregon Coordinated Care Organization providing services under the Oregon Health Plan, a Medicaid plan. PacificSource is also (1) the sole shareholder of PSA, an Oregon for profit corporation licensed as a third party administrator, and (2) the sole shareholder of PHI, a Delaware for profit corporation that is the majority shareholder of IPN, Inc., an Idaho for profit corporation that offers a provider network for use by health plans in Idaho. PHI’s sole current activity is to act as a holding company for its interest in IPN, Inc.

B. Legacy is a tax exempt Oregon nonprofit public benefit corporation which operates hospitals and medical clinics, and provides other health services, in Oregon and southwest Washington.

C. This Agreement and the transactions contemplated herein (the “**Contemplated Transactions**”) reflect the desire of PacificSource and the PacificSource Affiliates, on the one hand, and Legacy, on the other, to (1) further their respective missions to achieve an alignment of payor and provider interests to better embrace population health, and (2) further effective care

management and decrease costs for patients through greater efficiencies brought about through the Parties' coordination of operations. As a result of the Contemplated Transactions, the Parties expect to:

(i) Offer and provide commercial health plan products, self-insured plans, government health plans, direct arrangements with employers and other to-be-developed payor and/or administrative models that are based on an integrated payor/provider approach that includes, supports and drives population health management and new care models;

(ii) Develop and implement strategies in Legacy service areas that support and strengthen both Legacy's and PacificSource's and the PacificSource Affiliates' strategies and market share in those areas and leverage Legacy's network and capabilities;

(iii) Work in cooperation to identify mutual opportunities in areas outside of Legacy's current service areas; and

(iv) Develop a highly effective shared governance and investment model that positions PacificSource and the PacificSource Affiliates to be successful in all markets.

D. In furtherance of the purposes outlined in Recital C above, the Parties have agreed, on the terms and conditions set forth in this Agreement, that (i) PacificSource will reorganize itself as an Oregon nonprofit public benefit corporation with members, (ii) Legacy will become a Member (as defined herein) of PacificSource, providing PacificSource capital in the amount of \$247.5 million, to be paid on the terms set forth in this Agreement, in order to obtain a fifty percent (50%) Member Interest (as defined herein) in PacificSource, and (iii) PacificSource and Legacy and/or their respective subsidiaries and affiliates will enter into agreements to coordinate their operations and the operations of their respective subsidiaries and affiliates in ways that will aid in achieving the Parties' shared goals.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, the adequacy of which is hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. Incorporation of Recitals. The foregoing Recitals are hereby incorporated into this Agreement.

2. Definitions. When used in this Agreement, the following terms shall have the following meanings:

2.1 "Action" means any lawsuit, legal proceeding, litigation, arbitration, complaint, charge, claim (including counterclaims), prosecution, indictment, action, suit, investigation, inquiry, audit or review, or legal, administrative, arbitration or other alternative dispute resolution proceeding, in each case (whether civil, criminal, administrative, investigative or informal) domestic or foreign, criminal or civil, at law or in equity, by or before any Governmental Authority or arbitrator.

2.2 “Additional Contribution” shall have the meaning set forth in Section 3.8(b).

2.3 “Affiliate” means with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person. For purposes of this definition, “control” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms “controlling” and “controlled” have correlative meanings.

2.4 “Antitrust Division” shall have the meaning set forth in Section 9.

2.5 “Applicable Law” means, with respect to any Person, any transnational, domestic or foreign, federal, state or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person, including all Health Care Laws, as the same may be amended from time to time unless expressly specified otherwise in this Agreement.

2.6 “Appraised Value” shall have the meaning set forth in Section 3.4(c).

2.7 “Approvals” shall have the meaning set forth in Section 8.1(a).

2.8 “Bend Real Property” shall have the meaning set forth in Section 3.4(a).

2.9 “Binding Term Sheet” shall have the meaning set forth in Section 4.

2.10 “Business Day” shall mean any day other than Saturday, Sunday and any day on which commercial banks in Oregon are authorized by law to be closed.

2.11 “Catastrophic Event” shall have the meaning set forth in Section 3.8(c).

2.12 “Closing” shall have the meaning set forth in Section 7.1.

2.13 “Closing Contribution” shall have the meaning set forth in Section 3.8(a).

2.14 “Closing Date” shall have the meaning set forth in Section 7.1.

2.15 “Closing Restated Bylaws” shall have the meaning set forth in Section 3.7.

2.16 “CMS” means the Centers for Medicare & Medicaid Services. “COBRA” means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and any similar federal or state legal requirement.

2.18 “Code” means the Internal Revenue Code of 1986, as amended.

2.19 “Commercially Reasonable Efforts” means, where applied to carrying out specific tasks and obligations of a Party under this Agreement, expending reasonable, diligent,

good faith efforts and resources to accomplish such task or obligation as such Party (on its own and/or acting through any of its Affiliates, agents or subcontractors) would normally use to accomplish a similar task or obligation under similar circumstances.

2.20 “Confidentiality Agreement” shall have the meaning set forth in Section 15.9.

2.21 “Contemplated Transactions” shall have the meaning set forth in Recital C.

2.22 “Contract” means any contract, agreement, license, lease, guaranty, indenture, sales or purchase order, notes, instruments, joint ventures or all other legally binding commitments or arrangements in the nature of a contract, whether written or oral.

2.23 “Coordination Agreements” shall have the meaning set forth in Section 4.

2.24 “Corrective Action Plan” means any compliance, corrective action or remediation plan heretofore or subsequently developed, adopted or implemented by a PacificSource Entity in response to or as a result of any orders, letters, communications or notices from CMS or any other Governmental Authority relating to a PacificSource Entity’s failure to meet any of the requirements for continued participation in the Programs (including any orders, letters, communications or notices relating to CMS’ low plan rating (or “star rating”) or stating that continued participation may be contingent on a PacificSource Entity developing, adopting, implementing or taking any sort of corrective or remedial actions).

2.25 “Damages” means all claims, demands, Liabilities, damage, loss and expense (including reasonable expenses of investigation and reasonable attorneys’ fees and expenses in connection with any action, suit or proceeding whether involving a Third Party claim or a claim solely between the Parties hereto).

2.26 “DOL” shall have the meaning set forth in Section 11.22(e).

2.27 “EBITDA” means earnings before interest, taxes, depreciation and amortization.

2.28 “Effective Date” shall have the meaning set forth in the introductory paragraph to this Agreement.

2.29 “Employee Benefit Plan” shall have the meaning set forth in Section 11.22(a).

2.30 “Enrollee” means an individual enrolled in any benefit plans offered or administered by the PacificSource Entities.

2.31 “Environmental Laws” means any Applicable Law or binding agreement with any Governmental Authority that has as its principal purpose the protection of the environment, human health or safety against exposures to Hazardous Substances, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

2.32 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

2.33 “Federal Reconciliation Adjustments” shall mean any amount determined by the Office of Personnel Management as an overcharge as a result of the federal reconciliation process with respect to rates set prior to Closing, regardless of whether such determination results in a penalty or impairment of a PacificSource Entity’s ability to draw from a contingency reserve fund.

2.34 “FTC” shall have the meaning set forth in Section 9.

2.35 “Fundamental Representations” shall have the meaning set forth in Section 14.2.

2.36 “GAAP” means generally accepted accounting principles for financial reporting in the United States, applied on a consistent basis.

2.37 “Governing Documents” means with respect to any Person: (a) if a corporation, the articles or certificate of incorporation and the bylaws; (b) if a general partnership, the partnership agreement and any statement of partnership; (c) if a limited partnership, the limited partnership agreement and the certificate of limited partnership; (d) if a limited liability company, the articles of organization and operating agreement; (e) if a trust, the instrument governing the trust, (f) if another type of Person, any other charter or similar document adopted or filed in connection with the creation, formation or organization of the Person; (g) all equityholders’ agreements, voting agreements, voting trust agreements, joint venture agreements, registration rights agreements or other agreements or documents relating to the organization, management or operation of any Person or relating to the rights, duties and obligations of the equityholders of any Person; and (h) any amendment or supplement to any of the foregoing.

2.38 “Governmental Authority” shall mean any federal, state, provincial, municipal, local or foreign government, governmental authority, regulatory or administrative agency, governmental commission, department, board, bureau, agency or instrumentality, court, tribunal, arbitrator or arbitral body.

2.39 “Hazardous Substances” shall mean any quantity of asbestos in any form, urea formaldehyde, PCBs, radon gas, crude oil or any fraction thereof, all forms of natural gas, petroleum products or by-products, any radioactive substance, mercury, lead and/or any lead-based coating or ink, and any substance, material or waste, whether solid, liquid or gas, defined or characterized by any Governmental Authority as hazardous, toxic, infectious, reactive, corrosive, ignitable, flammable, dangerous, or words of similar meaning and effect.

2.40 “Health Care Laws” means all laws relating to: (a) the licensure, certification, qualification or authority to transact business in connection with the provision of, payment for, or arrangement of, health benefits or health insurance, including laws that regulate managed care, Third Party payors and persons bearing the financial risk for the provision or arrangement of health care services and, without limiting the generality of the foregoing, laws relating to Medicaid and Medicare Programs; (b) the operations of facilities such as pharmacies,

laboratories, radiology or imaging centers or the operation of professional medical practices or other medical or health facilities; (c) the solicitation or acceptance of improper incentives involving persons operating in the health care industry, including, without limitation, laws prohibiting or regulating fraud and abuse, patient referrals or Provider incentives generally or under the following statutes: the federal anti-kickback law (42 U.S.C. § 1320a-7b) and the regulations promulgated thereunder, the Stark laws (42 U.S.C. § 1395nn) and the regulations promulgated thereunder, the Federal False Claims Act (31 U.S.C. §§ 3729, et seq.), the federal Civil Monetary Penalties Law (42 U.S.C. § 1320a-7a), and the federal Program Fraud Civil Remedies Act (31 U.S.C. § 3801 et seq.); (d) the administration of health care claims or benefits or processing or payment for health care services, treatment or supplies furnished by Providers, including Third Party administrators, utilization review agents and persons performing quality assurance, credentialing or coordination of benefits; (e) billings to insurance companies, health maintenance organizations and other managed care plans or otherwise related to insurance fraud; (f) the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, (g) HIPAA; (h) any laws governing the privacy, security, integrity, accuracy, transmission, storage or other protection of information about or belonging to actual or prospective Members; (i) any state insurance, health maintenance organization or managed care laws, including the HMO Statute; (j) the Patient Protection and Affordable Care Act (Pub. L. 111-148) as amended by the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111-152) and the regulations promulgated thereunder; and (k) any other law, regulation, guidance document, manual provision, program memorandum, opinion letter, or other public issuance which regulates kickbacks, patient or program charges, recordkeeping, claims process, documentation requirements, medical necessity, referrals, the hiring of employees or acquisition of services or supplies from those who have been excluded from government health care programs, quality, safety, privacy, security, licensure, accreditation or any other aspect of providing health care services.

2.41 “Health Care Permits” shall have the meaning set forth in Section 11.11.

2.42 “Health Plan” means products and services that are related to health insurance, utilization management, third party administration services, Medicare Advantage plans and/or Medicaid Plans that are (a) currently provided by PacificSource, by and through the PacificSource Affiliates, and/or (b) developed by PacificSource, by and through the PacificSource Affiliates, in the future. Notwithstanding the foregoing, the term “Health Plan” shall exclude any provider based activities that PacificSource or the PacificSource Affiliates may engage in, including but not limited to, operation, management, ownership or administration of any risk based provider organization (e.g., Medicare Shared Savings Program Accountable Care Organizations), health care providers, health care systems or health care provider networks.

2.43 “HIPAA” means the Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. § 1320d et seq.), as amended by the Health Information, Technology for Economic and Clinical Health Act of 2009 and any implementing regulations promulgated thereunder.

2.44 “HSR Act” shall have the meaning set forth in Section 8.1(a).

2.45 “Inbound IP Contracts” shall have the meaning set forth in Section 11.19(f).

2.46 “Indebtedness” means, as of any date, without duplication, all outstanding obligations for borrowed money or in respect of loans or advances, including all accrued interest, prepayment premiums or penalties related to the repayment of such obligations; provided, however, that the term “Indebtedness” shall not apply to outstanding obligations for borrowed money or in respect of loans or advances owed by one PacificSource Entity to another PacificSource Entity.

2.47 “Indemnified Party” shall have the meaning set forth in Section 14.4(a).

2.48 “Indemnifying Party” shall have the meaning set forth in Section 14.4(a).

2.49 “Initial Coordination Agreements” shall have the meaning set forth in Section 4.

2.50 “Intellectual Property Right” means any and all of the following: (a) rights in patents and patent applications, patentable inventions and improvements whether or not patentable; (b) trademarks, service marks, trade dress, trade names, logos, corporate names and any other designators of origin, including all goodwill associated therewith; (c) registered copyrights and applications for registrations of copyrights and unregistered copyrightable works, including software; (d) trade secrets, other confidential and proprietary information or know-how, including such rights in software; (e) rights in domain names and social media account names or identifiers; (f) rights of privacy or publicity; and (g) all other intellectual and related proprietary rights, whether protected, created or arising by operation of Law.

2.51 “Interim Balance Sheet” shall have the meaning set forth in Section 11.5(a).

2.52 “Interim Balance Sheet Date” means September 30, 2015.

2.53 “Interim Financial Statements” shall have the meaning set forth in Section 11.5(a).

2.54 “Interim Restated Bylaws” shall have the meaning set forth in Section 3.2.

2.55 “IP Contracts” shall have the meaning set forth in Section 11.19(f).

2.56 “IRS” means the Internal Revenue Service.

2.57 “Knowledge of Legacy”, “Legacy’s Knowledge” or any other similar knowledge qualification in this Agreement relating to Legacy means to the actual knowledge, without any duty of inquiry, of the officers, directors and executive team members of Legacy and to the actual knowledge, after due inquiry, of George Brown, President and Chief Executive Officer, Rob DeWitt, Senior Vice President and Chief Legal Officer, and Linda Hoff, Senior Vice President and Chief Financial Officer. For purposes of Section 14.10(b), knowledge of

Legacy shall include the actual knowledge of any agent of Legacy engaged in due diligence activities on behalf of Legacy.

2.58 “Knowledge of the PacificSource Entities”, “PacificSource Entities’ Knowledge” or any other similar knowledge qualification in this Agreement relating to the PacificSource Entities means to the actual knowledge, without any duty of inquiry, of the officers, directors and executive team members of the PacificSource Entities and to the actual knowledge, after due inquiry, of Kenneth P. Provencher, President and Chief Executive Officer, Peter F. Davidson, Chief Financial Officer, Erick T. Doolen, Chief Operating Officer, Daniel L. Roth, M.D., Chief Medical Officer, Dan Stevens, Executive Vice President of Product Line Management, Sharon Thomson, Executive Vice President of Community Strategy and Marketing, Paul Wynkoop, Vice President of Human Resources and Administration, and Kristin E. Kernutt, Vice President of Legal Affairs/General Counsel. For purposes of Section 14.10(c), knowledge of the PacificSource Entities shall include the actual knowledge of any agent of the PacificSource Entities engaged in due diligence activities on behalf of the PacificSource Entities.

2.59 “Leases” shall have the meaning set forth in Section 3.4(d).

2.60 “Legacy” shall have the meaning set forth in the introductory paragraph of this Agreement.

2.61 “Legacy Affiliates” shall have the meaning set forth in Section 4.

2.62 “Legacy Contribution to Capital” shall have the meaning set forth in Section 3.8.

2.63 “Legacy Disclosure Schedule” means that certain document identified as the Legacy Disclosure Schedule, dated as of the date hereof (as the same may be modified from time to time in accordance with the terms hereof), delivered by Legacy in connection with this Agreement.

2.64 “Liabilities” means any debt, loss, damage, adverse claim, fine, penalty, liability or obligation (whether direct or indirect, known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, matured or unmatured, determined or determinable, disputed or undisputed, liquidated or unliquidated, or due or to become due, and whether in contract, tort, strict liability or otherwise), and including all costs and expenses relating thereto (including all fees, disbursements and expenses of legal counsel, experts, engineers and consultants and costs of investigation).

2.65 “Lien” means any lien, encumbrance, claim, charge, security interest, mortgage, deed of trust, pledge, easement, conditional sale or other title retention agreement, defect in title or other restriction of a similar kind.

2.66 “Material Adverse Effect” means, with respect to a given entity, any change, effect, event, occurrence, or development that is or would reasonably be expected to be materially adverse to the assets, liabilities, business, financial condition, or results of operations of such entity and its subsidiaries, taken as a whole, or on the ability of an entity to timely perform its obligations hereunder or consummate the Contemplated Transactions. For purposes

of clarity and without limiting the generality of the foregoing, the Parties agree that changes in enrollment and the changes in the revenue or net income associated with any of the lines of business of a PacificSource Affiliate will not be viewed as a Material Adverse Effect if the change does not materially impair the relevant line of business or the overall financial condition of the PacificSource Entities.

2.67 “Material Health Care Providers” shall have the meaning set forth in Section 11.10(a).

2.68 “Medicaid” means the Medicaid program in any state where a PacificSource Entity conducts business.

2.69 “Medicare Advantage Organization” shall have the meaning attributed to such term under 42 CFR § 422.2.

2.70 “Medicare Advantage Plans” shall have the meaning attributed to such term under 42 CFR § 422.2.

2.71 “Member” shall have the meaning set forth in Section 3.7.

2.72 “Member Agreement” shall have the meaning set forth in Section 3.6.

2.73 “Member Interest” shall have the meaning set forth in Section 3.7.

2.74 “Minor” means that the Health Plan constitutes less than twenty percent (20%) of the health system’s EBITDA.

2.75 “Mutual Exclusivity Agreement” shall have the meaning set forth in Section 15.9.

2.76 “Outbound IP Contracts” shall have the meaning set forth in Section 11.19(f).

2.77 “PacificSource” shall have the meaning set forth in the introductory paragraph of this Agreement.

2.78 “PacificSource Affiliates” shall have the meaning set forth in the introductory paragraph of this Agreement.

2.79 “PacificSource Contract” shall have the meaning set forth in Section 11.8(a).

2.80 “PacificSource Disclosure Schedule” means that certain document identified as the PacificSource Disclosure Schedule, dated as of the date hereof (as the same may be modified from time to time in accordance with the terms hereof), delivered by the PacificSource Entities in connection with this Agreement.

2.81 “PacificSource Entities” shall mean collectively PacificSource and the PacificSource Affiliates.

2.82 “PacificSource Entities Financial Statements” shall have the meaning set forth in Section 11.5(a).

2.83 “PacificSource Intellectual Property” shall have the meaning set forth in Section 11.19.

2.84 “PacificSource Technology” means any and all Technology used or necessary in connection with the businesses conducted by PacificSource and the PacificSource Affiliates as presently conducted.

2.85 “Party” shall have the meaning set forth in the introductory paragraph of this Agreement.

2.86 “PCHP” shall have the meaning set forth in the introductory paragraph of this Agreement.

2.87 “PCS” shall have the meaning set forth in the introductory paragraph of this Agreement.

2.88 “Pending Transaction” shall have the meaning set forth in Section 11.6(g).

2.89 “Permits” means all licenses, permits, franchises, approvals, authorizations, consents or orders of, or filings with, any Governmental Authority that are necessary for the operation of the PacificSource Entities, except for Health Care Permits.

2.90 “Person” means an association, a corporation, an individual, a partnership, a limited liability company, a trust, or any other entity or organization, including a Governmental Authority.

2.91 “PHA” shall have the meaning set forth in the introductory paragraph to this Agreement.

2.92 “PHI” shall have the meaning set forth in the introductory paragraph of this Agreement.

2.93 “Producer” means any sales agent, consultant, solicitor, producer or agency thereof who or which arranges, on behalf of a PacificSource Entity, for the sales of or enrollment into a Medicare Advantage Plan or commercial plan offered by such PacificSource Entity.

2.94 “Programs” means the Medicare and Medicaid programs and any other state or federal health care program, as defined in 42 U.S.C. § 1320a-7b(f).

2.95 “Providers” means any and all physicians, physician or medical groups, IPAs, PPOs, exclusive provider organizations, specialist physicians, dentists, optometrists,

audiologists, pharmacies and pharmacists, radiologists or radiology centers, laboratories, mental health professionals, chiropractors, physical therapists, any hospitals, skilled nursing facilities, extended care facilities, other health care or services facilities, durable medical equipment suppliers, opticians, home health agencies, alcoholism or drug abuse centers and any other specialty, ancillary or allied medical, health or wellness professional or facility.

2.96 “Provider Contract” means a Contract between a PacificSource Entity and one or more Providers for the provision of professional services.

2.97 “PSA” shall have the meaning set forth in the introductory paragraph of this Agreement.

2.98 “PSHP” shall have the meaning set forth in the introductory paragraph of this Agreement.

2.99 “R&W Policy” shall have the meaning set forth in Section 14.1.

2.100 “Real Property” shall have the meaning set forth in Section 3.4(a).

2.101 “Real Property Leases” shall have the meaning set forth in Section 11.18(b).

2.102 “Related Agreements” shall have the meaning set forth in Sections 8.2(b) and 8.3(b).

2.103 “Restated Articles” shall have the meaning set forth in Section 3.1.

2.104 “Required Consents” shall have the meaning set forth in Section 8.4.

2.105 “Service Area” means, the geographic areas where a PacificSource Entity is authorized to conduct business as a Health Plan.

2.106 “Springfield Real Property” shall have the meaning set forth in Section 3.4(a).

2.107 “State Regulatory Filings” shall have the meaning set forth in Section 11.11(d).

2.108 “Statutory Filings” shall have the meaning set forth in Section 11.5(b).

2.109 “Supplemental Certificate” shall have the meaning set forth in Section 3.8(c).

2.110 “Survival Period” shall have the meaning set forth in Section 14.2.

2.111 “Tax” (and, with correlative meaning, “Taxes”) means any federal, state, local or foreign taxes, including, without limitation, income, gross receipts, property, sales, use, license, franchise, employment, payroll, withholding, alternative or add-on minimum, ad valorem, profits, occupation, value added, capital stock, customs, duty, unemployment, social

security, disability, registration, estimated, stamp, transfer or excise tax, or any other tax of any kind whatsoever imposed by any Governmental Authority, together with any interest, penalty or addition to tax imposed by such Governmental Authority with respect thereto, and any Liability in respect of the foregoing payable by reason of contract, assumption, transferee liability, operation of law, Treasury Regulations Section 1.1502-6(a) (or any predecessor or successor thereof or any similar provision under law or otherwise).

2.112 “Tax Exempt Status Condition” shall have the meaning set forth in Section 6.

2.113 “Tax Return” means any return, report or similar statement required to be filed with respect to any Tax (including any attached schedules), including, without limitation, any information return, claim for refund, amended return or declaration of estimated Tax and any affiliated, consolidated, combined, unitary or similar return.

2.114 “Technology” means all inventions, works, discoveries, innovations, know-how, information (including ideas, research and development, formulas, algorithms, compositions, processes and techniques, data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, business and marketing plans and proposals, graphics, illustrations, artwork, documentation and manuals), databases, computer software, firmware, computer hardware, integrated circuits and integrated circuit masks, electronic, electrical and mechanical equipment and all other forms of technology, including improvements, modifications, works in process, derivatives or changes, whether tangible or intangible, embodied in any form, whether or not protectable or protected by patent, copyright, mask work right, trade secret law or otherwise, and all documents and other materials recording any of the foregoing.

2.115 “Third Party” means any Person that is not a party to this Agreement, but excluding any Affiliate of a Party.

2.116 “Third Party Claim” shall have the meaning set forth in Section 14.4(a).

2.117 “This Agreement” shall have the meaning set forth in the introductory paragraph of this Agreement.

2.118 “Waiting Period” shall have the meaning set forth in Section 14.6.

2.119 “Year-End Financial Statements” shall have the meaning set forth in Section 11.5(a).

3. Reorganization of PacificSource.

3.1 Amended and Restated Articles of Incorporation. Forthwith after the Parties obtain the Approvals, PacificSource shall duly file with the Secretary of State of the State of Oregon, Corporation Division, amended and restated articles of incorporation substantially in the form attached hereto as Exhibit A (the “**Restated Articles**”), which Restated Articles shall permit PacificSource, among other things, to have members.

3.2 Interim Amended and Restated Bylaws. Coincident with the filing of the Restated Articles, PacificSource shall adopt amended and restated Bylaws substantially in the form attached hereto as Exhibit B (the “**Interim Restated Bylaws**”).

3.3 Status of PHA. PHA shall initially be the sole member of PacificSource. PHA shall be permitted to use the word “PacificSource” in its name, but for any business activity other than (a) holding PHA’s Member Interest in PacificSource, (b) leasing the Real Property, and (c) any charitable giving or charitable fundraising by PHA, PHA shall register an assumed business name to use in connection with such other business activity that does not include the word “PacificSource.” PacificSource and PHA shall enter into any licensing agreement necessary to permit such use to occur (it being understood that PHA shall not pay any licensing fees to the corporation under any such licensing agreement). Without limiting any restrictions on the use of the “PacificSource” name by PHA above, PHA shall be prohibited from any use of the “PacificSource” name in connection with operations as a Health Plan.

3.4 Distribution of the Real Property.

(a) PacificSource owns the real property on which its headquarters offices are located, commonly known as 110 International Way, Springfield, Oregon, and a parcel of land adjacent thereto, which properties are more particularly described on Exhibit C attached hereto (the “**Springfield Real Property**”). In addition, PacificSource owns the real property, commonly known as 2965 NE Conners Avenue, Bend, Oregon, on which an office building is located a portion of which serves as the headquarters offices of PCHP, which property is also described on Exhibit C attached hereto (the “**Bend Real Property**”). (The Springfield Real Property and the Bend Real Property shall be collectively referred to in this Agreement as the “**Real Property.**”)

(b) After the Parties obtain the Approvals and prior to the Closing, PacificSource shall pay all debt of PacificSource that is secured by the Real Property and, after PHA becomes the sole member of PacificSource, shall transfer the Real Property to PHA and assign to PHA the various leases between PacificSource and the tenants of the Real Property. PacificSource shall be permitted to purchase title insurance in the amount of the Appraised Value for the benefit of PHA, if PHA’s board of directors so requests.

(c) The Springfield Real Property and the Bend Real Property have been appraised by a qualified real property appraiser acceptable to PacificSource and to Legacy. Such appraiser determined the fair market value of the Springfield Real Property as of November 13, 2015 and the fair market value of the Bend Real Property as of November 18, 2015. Such fair market values were calculated on a debt-free basis. The values of the properties determined by the appraiser have been accepted by the Parties for purposes of this Agreement and shall be collectively referred to in this Agreement as the “**Appraised Value.**”

(d) Prior to the Closing, PHA shall enter into two leases with PacificSource, each of which shall be effective prior to the Closing, one under which PacificSource shall lease the Springfield Real Property and one under which PacificSource shall lease the portion of the Bend Real Property occupied by PCHP (collectively, the “**Leases**”), the Leases to be on substantially the same terms and conditions as the leases between PacificSource and PSHP and

PCHP, respectively, that are assigned to PHA. The leases between PacificSource and PSHP and PCHP that are assigned to PHA will be terminated effective on the effective date of the Leases. PSHP's use of the Springfield Real Property and PCHP's use of a portion of the Bend Real Property will thereafter be addressed in the administrative services agreements between PacificSource and PSHP and PCHP, respectively, which shall be entered into after the Closing. The Leases to be entered into prior to the Closing shall be subject to the reasonable approval of Legacy, in addition to any approval of the boards of directors of PHA and PacificSource that is required. Future leases of the Real Property by PHA to PacificSource shall be subject only to any approval of the boards of directors of PHA and PacificSource that is required.

3.5 Tax Liabilities. Any and all Taxes imposed by any Taxing Authorities on any PacificSource Entity resulting from the actions involved in the reorganization of PacificSource as reflected in Sections 3.1 to 3.4 above and Section 3.9 below shall be the sole responsibility of PacificSource or the applicable PacificSource Entity.

3.6 Member Agreement. At the Closing, PacificSource, PHA and Legacy shall enter into a Member Agreement (the "**Member Agreement**"), substantially in the form attached hereto as Exhibit E, under which PacificSource, PHA and Legacy shall agree to certain restrictions relating to the creation and transfer of Member Interests in PacificSource and other matters mutually agreed upon by the Parties.

3.7 Amended and Restated Bylaws. Prior to the Closing, PacificSource shall adopt further amended and restated Bylaws substantially in the form attached hereto as Exhibit D (the "**Closing Restated Bylaws**"), such Closing Restated Bylaws to be effective upon the closing of those transactions to be consummated at the time of the Closing. The Closing Restated Bylaws contemplate that effective as of the Closing, PHA and Legacy shall be the sole members of PacificSource (each a "**Member**" with a "**Member Interest**" in PacificSource) and that PHA and Legacy shall each have equal governance rights as Members and rights to distributions in proportion to their respective capital contributions, as specified in the Closing Restated Bylaws. The Closing Restated Bylaws may be amended and restated in the form attached to such Closing Restated Bylaws as Appendix A if there is a change in PHA's or Legacy's status into a Majority Member and/or Minority Member, as such terms are defined in the bylaws attached to the Closing Restated Bylaws as Appendix A, as the case may be, due to the occurrence of certain events as set forth in the Member Agreement.

3.8 Legacy's Contribution of Capital to PacificSource. In consideration of the opportunity to become a Member of PacificSource, and the other agreements reflected in this Agreement, Legacy shall contribute to the capital of PacificSource an amount equal to a total of Two Hundred Forty Seven Million Five Hundred Thousand Dollars (\$247,500,000) (the "**Legacy Contribution to Capital**"), as follows:

(a) One Hundred Million Dollars (\$100,000,000) in immediately available funds shall be contributed by Legacy on the Closing Date (the "**Closing Contribution**"); and

(b) Legacy shall make five (5) additional equal annual payments of Twenty-Nine Million Five Hundred Thousand Dollars (\$29,500,000), each such payment being payable

on or before the anniversary of the Closing Date, commencing with the first anniversary of the Closing Date (each an “**Additional Contribution**”).

(c) Absence of Catastrophic Event.

(1) The only condition to Legacy’s obligation to make an Additional Contribution shall be that the PacificSource Entities shall not have suffered a Catastrophic Event. Prior to Legacy being obligated to make an Additional Contribution under Section 3.8(b) above, a duly authorized officer of PacificSource shall certify in writing (each such certification a “**Supplemental Certificate**”), in a form reasonably acceptable to Legacy, and at least fifteen (15) but no more than thirty (30) days prior to each anniversary of the Closing Date, that the PacificSource Entities have not suffered a Catastrophic Event. For purposes of this Section 3.8(c), “**Catastrophic Event**” shall mean an event that materially impacts the ability of the PacificSource Entities as a whole to conduct their business. Examples of Catastrophic Events would include (1) termination of the Certificate of Authority issued by the Insurance Division of the Oregon Department of Consumer and Business Services to PacificSource Health Plans or PacificSource Community Health Plans; (2) a compliance action by a Governmental Authority that has caused, or is more likely than not to cause, a PacificSource Entity to be unable to continue to conduct its principal line of business; or (3) fraud or other intentional malfeasance which has resulted in Action that has reduced, or is more likely than not to reduce, the fair market value of Legacy’s Member Interest by Twenty-Five Percent (25%) or more. The definition of Catastrophic Event is not intended to include ordinary course events or occurrences of the type that would customarily be considered to be part of investment risk.

(2) If a Catastrophic Event occurs, then Legacy shall have the right, but not the obligation, to elect not to make any future Additional Contributions.

(3) Nothing in this Section 3.8(c), or any associated action or inaction by Legacy, shall limit, impact or constitute a waiver of Legacy’s rights or remedies under this Agreement in connection with a Catastrophic Event. For purposes of clarity, and without limiting the generality of the foregoing, in the event that Legacy elects not to make any Additional Contributions pursuant to subsection (2) above due to the occurrence of a Catastrophic Event, Legacy shall have access to, without limitation or diminution, all remedies available to Legacy against the PacificSource Entities and/or PHA under this Agreement or Applicable Law, as contemplated by Section 15.10 below. The Parties agree that Legacy’s remedies under this Agreement will be cumulative, not exclusive.

(d) Legacy’s Ongoing Covenants. Legacy shall certify to PHA and PacificSource in writing, simultaneously with each Additional Contribution, that it remains in compliance with Section 13.7 (Financial Ability) and Section 13.8 (Solvency).

PHA shall have the right, power and authority to enforce on behalf of PacificSource all of PacificSource's rights and remedies under this Agreement and any other document executed in connection herewith with respect to Legacy's Contribution to Capital.

3.9 PHA's Deemed Contribution of Capital to PacificSource. As of the Closing, PHA shall be deemed to have made a contribution to the capital of PacificSource equal to the Legacy Contribution to Capital.

3.10 Strategic Plans and Capital and Operating Budgets. Prior to the Closing, Legacy, PHA and PacificSource shall agree upon an update of the 2016 strategic work plan, capital budget and operating budget for PacificSource and the PacificSource Affiliates covering the period from the Closing Date through December 31, 2016 that shall be submitted to the post-Closing PacificSource board of directors for approval. The development of the strategic work plan, capital budget and operating budget for PacificSource and the PacificSource Affiliates for calendar years after 2016 shall be overseen, and such plans and budgets shall be approved, solely by the PacificSource board of directors.

4. Agreements between PacificSource and/or the PacificSource Affiliates and Legacy and/or Legacy Affiliates. The Parties intend that PacificSource and/or one or more PacificSource Affiliates will enter into agreements with Legacy and/or one or more of Legacy's subsidiaries or affiliates (collectively, the "**Legacy Affiliates**" and individually, a "**Legacy Affiliate**"), or modify existing agreements between PacificSource Affiliates and Legacy Affiliates, to further the mutual interests of the Parties as described in the Recitals to this Agreement. Legacy and/or applicable Legacy Affiliates shall enter into or modify, as the case may be, one or more agreements with PacificSource and/or applicable PacificSource Affiliates relating to the coordination of a Legacy-constructed provider network in the Portland, Oregon metropolitan area with health plans offered by PacificSource Affiliates, and enter into agreements relating to co-marketing and other strategic relationships between Legacy and Legacy Affiliates and PacificSource and the PacificSource Affiliates, all such agreements ("**Coordination Agreements**") to be in forms acceptable to the Parties. The Parties also intend to enter into further agreements as mutually beneficial opportunities arise. The Parties shall work diligently to complete and enter into or modify those Coordination Agreements that the Parties agree should be in effect at the time of, or as soon as practicable after, the Closing (the "**Initial Coordination Agreements**"), it being understood and agreed that if the Parties are unable to finalize the definitive form of any Initial Coordination Agreement before the Closing, the Parties shall before the Closing execute a binding term sheet (each a "**Binding Term Sheet**") covering the material terms of such Initial Coordination Agreement and work in good faith to finalize such Initial Coordination Agreement as soon as practicable following the Closing.

5. Corporate Opportunity. The Parties intend that the Health Plans (as such term is defined below) provided by PacificSource, by and through the PacificSource Affiliates, will be the only Health Plans in which Legacy and PHA have an interest. To this end, the Parties agree that unless otherwise agreed by PHA and Legacy, neither Legacy nor PHA will directly or indirectly start a Health Plan or pursue a transaction where a Health Plan is the predominant operation or value. Alternatively, if either Legacy or PHA directly or indirectly acquires a health system that has a Health Plan as a Minor portion of the transaction, such Party will use its reasonable best efforts to integrate the Health Plan into PacificSource as soon as reasonably

possible. Legacy and PHA each agree to forthwith notify PacificSource's board of directors and President/CEO of potential transactions where a Health Plan is a component of the operation or value. The provisions of this Section 5 are included in the Member Agreement to be executed by PacificSource, PHA and Legacy at the Closing.

6. Legacy's Tax Exempt Status. PacificSource and the PacificSource Affiliates acknowledge that Legacy's willingness to close the Contemplated Transactions is conditioned upon such transactions not jeopardizing Legacy's tax exempt and public charity status under Sections 501(c)(3) and 509(a)(3) of the Code, nor subjecting Legacy to unacceptable unrelated business income taxation (the "**Tax Exempt Status Condition**"). Examples of actions which could jeopardize Legacy's tax exempt status include, but are not limited to, the conversion of PacificSource to a limited liability company or partnership taxed as a partnership, the use of the Legacy Contribution to Capital to fund political activity and transactions involving PacificSource and for-profit Persons (other than for-profit Affiliates of PacificSource), for below fair market value. PacificSource and the PacificSource Affiliates agree to cooperate with Legacy, to an extent that is reasonable under the circumstances, to satisfy such condition, provided that satisfaction of such condition does not, in PacificSource's reasonable judgment, materially impact the benefits to PacificSource and the PacificSource Affiliates of the Contemplated Transactions. Legacy agrees to initiate the research and analysis necessary to determine whether the Contemplated Transactions will affect Legacy's tax exempt and public charity status under Sections 501(c)(3) and 509(a)(3) of the Code or subject Legacy to unacceptable unrelated business income taxation forthwith after full execution and delivery of this Agreement and to use its best efforts to make such determination no later ninety (90) days thereafter.

7. Closing.

7.1 Closing Date. The closing of the Contemplated Transactions (the "**Closing**") shall take place in Portland, Oregon, or such other location upon which the Parties mutually agree, within five (5) Business Days after satisfaction or waiver of all of the conditions to the Closing set forth in Section 8 (the "**Closing Date**"), but in no event later than October 1, 2016, unless the Parties otherwise agree in writing. In lieu of an in person Closing, the Closing may instead be accomplished by facsimile or email (in PDF format) transmission to the respective offices of legal counsel for the Parties of the requisite documents, duly executed where required, delivery to be deemed to occur upon actual confirmed receipt. The Parties acknowledge and agree that all proceedings at the Closing shall be deemed to be taken and all documents to be executed and delivered by all Parties at the Closing shall be deemed to have been taken and executed simultaneously, and no proceedings shall be deemed taken nor any document executed or delivered until all have been taken, executed and delivered.

7.2 Deliveries by the PacificSource. Subject to fulfillment or waiver (in the sole and absolute discretion of PacificSource) of the conditions set forth in Sections 8.1 and 8.4, at the Closing, PacificSource shall deliver (or cause to be delivered) to Legacy, originals or copies, if specified, of the following:

(a) if not delivered to Legacy prior to the Closing copies of each consent, waiver, authorization and approval required pursuant to Sections 8.1 and 8.4;

(b) Certificates of Existence or Good Standing, as the case may be, for PacificSource, each of the PacificSource Affiliates, and PHA, issued not more than five (5) Business Days prior to the Closing Date from the Secretary of State of their respective jurisdiction of organization and from the Secretary of State of each other jurisdiction in which PacificSource or any such PacificSource Subsidiary is qualified (or required to be qualified) to do business;

(c) a certificate of PacificSource and each of the PacificSource Affiliates that is a Party to this Agreement, duly executed by the secretary of the applicable entity, dated as of the Closing Date, certifying (i) the resolutions of the board of directors of PacificSource and each such PacificSource Affiliate approving this Agreement and the Contemplated Transactions, and (ii) the incumbency and specimen signature of each officer of PacificSource and each such PacificSource Affiliate who is authorized to sign documents relating to the Contemplated Transactions;

(d) evidence that the Real Property was transferred to PHA prior to the Closing and that the Leases were entered into by PHA and PacificSource as provided in this Agreement;

(e) evidence that all debt that is secured by the Real Property for PacificSource has been paid off; and

(f) the Member Agreement, duly executed on behalf of PacificSource and PHA.

7.3 Deliveries by Legacy. Subject to fulfillment or waiver (in the sole and absolute discretion of Legacy) of the conditions set forth in Sections 8.1 and 8.3, at the Closing, Legacy shall deliver (or cause to be delivered) to PacificSource originals, or copies if specified, of the following agreements, documents and other items:

(a) if not delivered to PacificSource prior to the Closing copies of each consent, waiver, authorization and approval required pursuant to Sections 8.1 and 8.2;

(b) a Certificate of Existence for Legacy, issued not more than five (5) Business Days prior to the Closing Date, from the Secretary of State of the State of Oregon and from the Secretary of State of each other jurisdiction in which Legacy is qualified (or required to be qualified) to do business;

(c) a certificate of Legacy, duly executed by the secretary of Legacy, dated as of the Closing Date, certifying (i) the resolutions of the board of directors of Legacy approving this Agreement and the Contemplated Transactions, and (ii) the incumbency and specimen signature of each officer of Legacy who is authorized to sign documents relating to the Contemplated Transactions;

(d) by wire transfer, One Hundred Million Dollars (\$100,000,000) in immediately available funds; and

(e) the Member Agreement, duly executed on behalf Legacy.

8. Conditions to Closing.

8.1 Conditions Precedent to the Obligations of the Parties. The obligations of the Parties to consummate the Contemplated Transactions are subject to the satisfaction of the following conditions, unless a condition is waived by the Parties:

(a) All necessary permits, approvals, clearances and consents of or filings with any Governmental Authorities required to be procured or made by any Party in connection with the Contemplated Transactions shall have been procured or made, as applicable, including, without limitation, the following approvals/refusals to pursue (collectively, the “**Approvals**”): (i) the approval of the Insurance Division of the Department of Consumer and Business Services of the State of Oregon, (ii) the approval of the Idaho Department of Insurance, if required, (iii) the approval of the Montana Office of the Commissioner of Securities and Insurance, if required, (iv) the approval of the Centers for Medicare & Medicaid Services, if required, and (v) in the event a filing is required under the federal Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (the “**HSR Act**”), the early termination or expiration of the waiting period under the HSR Act.

(b) All necessary approvals of the governing bodies of the Parties shall have been procured.

(c) No Applicable Law shall have been enacted which prohibits or materially restricts or delays the consummation of the Contemplated Transactions.

(d) The Real Property shall have been transferred to PHA pursuant to this Agreement, and the Leases shall have been duly executed and delivered by the applicable parties.

(e) The Parties shall have executed each Initial Coordination Agreement that is in final definitive form and each Binding Term Sheet with respect to an Initial Coordination Agreement that is not in final definitive form.

8.2 Conditions Precedent to the Obligations of PacificSource and the PacificSource Affiliates. The obligations of PacificSource and the PacificSource Affiliates to consummate the Contemplated Transactions are subject to the satisfaction of the following conditions, unless a condition is waived by PacificSource:

(a) All representations and warranties made by Legacy (considered collectively and individually) in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date, except to the extent that such representations and warranties are qualified by the term “material” or contain the term “Material Adverse Effect,” in which case such representations and warranties as so written (including the terms “material” or “Material”) shall be true and correct in all respects as of the date of this Agreement and as of the Closing Date as if made by Legacy on such date (except that such representations and warranties which refer to facts existing as of a specific date, in which case, such representations and warranties need only be true and correct as of such date), and PacificSource shall have received certificates to that effect from Legacy dated as of the Closing Date. For purposes of this Section 8.2, the terms “material” and “Material Adverse Effect” shall, when used in connection with the financial condition or results of operations of Legacy or in

connection with the financial effect on the assets, liability or business of Legacy, mean an individual change, effect, event, occurrence or development, or Damages, of Ten Million Dollars (\$10,000,000) or an aggregate of Twenty Million Dollars (\$20,000,000) over all changes, effects, events, occurrences, developments or Damages.

(b) Legacy shall have performed, complied with or fulfilled in all respects all covenants, agreements, obligations and conditions required by this Agreement and each of the other agreements contemplated herein to which Legacy is a party (collectively, the “**Related Agreements**”), to be performed, complied with or fulfilled by Legacy on or prior to the Closing Date, and PacificSource shall have received certificates to that effect from Legacy dated as of the Closing Date.

(c) Neither Legacy nor any Legacy Affiliate shall be subject to any pending proceeding before, or any injunction, preliminary restraining order or other similar decree of, a court of competent jurisdiction prohibiting the consummation of, or otherwise adversely affecting, the Contemplated Transactions.

(d) There shall not be any preliminary or permanent injunction or other order issued by any Governmental Authority which declares this Agreement or any of the Related Agreements invalid or unenforceable in any respect or prevents or attempts to prevent the consummation of the transactions contemplated hereby or thereby.

(e) All consents, waivers, authorizations and approvals necessary for Legacy to consummate the transactions contemplated by this Agreement or any of the Related Agreements shall have been received.

(f) All consents, waivers, authorizations and approvals necessary for PHA to consummate the transactions contemplated by this Agreement or any of the Related Agreements shall have been received.

(g) Since the date of this Agreement, there shall not have occurred any Material Adverse Effect with respect to Legacy, and no circumstance or condition shall exist that, in combination with any other event, change, development or worsening threat or circumstance or condition, would reasonably be expected to have a Material Adverse Effect with respect to Legacy.

(h) Satisfaction of the condition set forth in Section 6 does not, in PacificSource’s reasonable judgment, materially impact the benefits to PacificSource and the PacificSource Affiliates of the Contemplated Transactions.

(i) PacificSource shall have completed a financial due diligence review of Legacy and shall be satisfied with the results thereof. Such review shall be limited to the matters covered by Sections 13.7, 13.8 and 13.12. Except as expressly provided in this Agreement, such review shall have no effect whatsoever on the liability of Legacy under this Agreement or otherwise for breach of any representations, warranties, or covenants.

(j) Legacy shall have provided PacificSource with Legacy's audited financials for Legacy's fiscal year ending in 2015 at least thirty (30) days prior to the Closing Date.

8.3 Conditions Precedent to the Obligations of Legacy. The obligations of Legacy to consummate the Contemplated Transactions are subject to the satisfaction of the following conditions, unless a condition is waived by Legacy:

(a) All representations and warranties made by PacificSource and the PacificSource Affiliates (considered collectively and individually) in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date, except to the extent that such representations and warranties are qualified by the term "material" or contain the term "Material Adverse Effect," in which case such representations and warranties as so written (including the terms "material" or "Material") shall be true and correct in all respects as of the date of this Agreement and as of the Closing Date as if made by PacificSource and the PacificSource Affiliates on such date (except that such representations and warranties which refer to facts existing as of a specific date, in which case, such representations and warranties need only be true and correct as of such date), and Legacy shall have received certificates to that effect from PacificSource and the PacificSource Affiliates dated as of the Closing Date. For purposes of this Section 8.3, the terms "material" and "Material Adverse Effect" shall, when used in connection with the financial condition or results of operations of the PacificSource Entities or in connection with the financial effect on the assets, liability or business of the PacificSource Entities, mean an individual change, effect, event, occurrence or development, or Damages, of Ten Million Dollars (\$10,000,000) or an aggregate of Twenty Million Dollars (\$20,000,000) over all changes, effects, events, occurrences, developments or Damages.

(b) PacificSource and the PacificSource Affiliates shall have performed, complied with or fulfilled in all respects all covenants, agreements, obligations and conditions required by this Agreement and each of the other agreements contemplated herein to which PacificSource or a PacificSource Affiliate is a party (again, collectively, the "**Related Agreements**"), to be performed, complied with or fulfilled by PacificSource or a PacificSource Affiliate on or prior to the Closing Date, and Legacy shall have received certificates to that effect from PacificSource dated as of the Closing Date.

(c) Neither PacificSource nor any PacificSource Affiliate shall be subject to any pending proceeding before, or any injunction, preliminary restraining order or other similar decree of, a court of competent jurisdiction prohibiting the consummation of, or otherwise adversely affecting, the Contemplated Transactions.

(d) There shall not be any preliminary or permanent injunction or other order issued by any Governmental Authority which declares this Agreement or any of the Related Agreements invalid or unenforceable in any respect or prevents or attempts to prevent the consummation of the transactions contemplated hereby or thereby.

(e) All consents, waivers, authorizations and approvals necessary for PacificSource and the PacificSource Affiliates to consummate the transactions contemplated by

this Agreement or any of the Related Agreements shall have been received, including without limitation the Required Consents.

(f) All consents, waivers, authorizations and approvals necessary for PHA to consummate the transactions contemplated by this Agreement or any of the Related Agreements shall have been received.

(g) The Tax Exempt Status Condition described in Section 6 shall have been satisfied.

(h) Since the date of this Agreement, there shall not have occurred any Material Adverse Effect with respect to PacificSource or the PacificSource Affiliates, and no circumstance or condition shall exist that, in combination with any other event, change, development or worsening threat or circumstance or condition, would reasonably be expected to have a Material Adverse Effect with respect to PacificSource or the PacificSource Affiliates.

(i) PHA and PacificSource shall have entered into the Leases which shall be effective prior to the Closing.

(j) All of the key employees identified by Legacy to PacificSource as required to enter into employment agreements have done so, in forms reasonably acceptable to Legacy.

(k) Legacy shall have completed a due diligence review of PHA and the PacificSource Entities and shall be satisfied with the results thereof. Except as expressly provided in this Agreement, such review shall have no effect whatsoever on the liability of PHA or the PacificSource Entities under this Agreement or otherwise for breach of any representations, warranties, or covenants.

(l) Legacy shall have received a tax memorandum from PacificSource's tax consultant, which memorandum provides, to the reasonable satisfaction of Legacy, adequate assurances that the actions involved in the pre-Closing reorganization of PacificSource, including but not limited to the appointment of PHA as PacificSource's sole member and the transfer of Real Property from PacificSource to PHA, either (i) will not result in the imposition of any Taxes by any Taxing Authorities on any PacificSource Entity or Legacy, or (ii) if such memorandum provides that such actions will result in the imposition of any Taxes by any Taxing Authorities on any PacificSource Entity or Legacy, such imposition is acceptable to Legacy in Legacy's sole discretion.

(m) PacificSource shall have provided Legacy with PacificSource's audited financials for PacificSource's fiscal year ending in 2015 at least thirty (30) days prior to the Closing Date.

8.4 Required Consents. The consents, approvals, waivers and notices set forth in Section 8.4 of the PacificSource Disclosure Schedule (the "**Required Consents**") shall have been obtained; provided, that, if any Required Consents are not obtained prior to the Closing and Legacy proceeds with the Closing, Legacy shall be deemed to have waived for all purposes any rights or remedies it may have against PHA or the PacificSource Entities (including any rights or

remedies under Section 14 by reason of the failure of the condition set forth in this Section 8.4 to be satisfied).

9. HSR Act. If applicable, PHA and Legacy shall, promptly after the execution and delivery of this Agreement, complete and file, or cause to be completed and filed, with the Federal Trade Commission (the “**FTC**”) and the Antitrust Division of the United States Department of Justice (the “**Antitrust Division**”) any notification and report forms and related materials that are required to be filed under the HSR Act with respect to the Contemplated Transactions. Each of PHA and Legacy shall coordinate with the other with respect to its filings, and shall furnish to each other such necessary information and reasonable assistance as the other may reasonably request in connection with its preparation of necessary filings or submissions under the HSR Act. The Parties shall use Commercially Reasonable Efforts to respond as promptly as practicable to any requests received from the FTC or the Antitrust Division for additional information or documentation and respond as promptly as practicable to inquiries and requests received from other Governmental Authorities with respect to antitrust matters. The Parties shall use Commercially Reasonable Efforts to resolve objections, if any, that may be asserted by any United States or non-United States governmental antitrust authority so as to enable the Parties expeditiously to close the Contemplated Transactions; provided, however, that no Party shall be required to sell, hold, divest or dispose of any interest in any material assets of such Party if the same is requested by the FTC or the Antitrust Division in connection with obtaining any necessary clearances under the HSR Act. PacificSource, on the one hand, and Legacy on the other hand, shall each pay one-half of all HSR Act fees relating to the Contemplated Transactions.

10. Further Covenants of PacificSource and the PacificSource Affiliates.

10.1 Conduct of Business. From the date hereof until the Closing Date, the PacificSource Entities shall conduct their respective businesses in the ordinary course consistent with past practice and in accordance with the current strategic work plan, capital budget, and operating budget, and shall use Commercially Reasonable Efforts to preserve intact its business organization and maintain satisfactory relationships with its Affiliates and Third Parties and to keep available the services of its present officers. Any material expenditures not provided for in the current strategic work plan, capital budget, and operating budget of the PacificSource Entities shall be subject to the prior reasonable approval of Legacy. Without limiting the generality of the foregoing, from the date hereof until the Closing Date, except as disclosed in Section 10.1 of the PacificSource Disclosure Schedule or with the prior consent of Legacy (not to be unreasonably withheld, conditioned or delayed), the PacificSource Entities shall not:

(a) except for changes expressly authorized in this Agreement, adopt or propose any change in the articles of incorporation, bylaws or equivalent organizational documents of a PacificSource Entity that would materially change the governance of the subject PacificSource Entity;

(b) pledge or otherwise encumber the material assets or property, or voluntarily create any Lien with respect to any material asset or property of a PacificSource Entity;

(c) adopt a plan of complete or partial liquidation or resolutions providing for or authorizing such liquidation or a dissolution, merger, consolidation, restructuring, recapitalization or other reorganization unless required by law or administrative order;

(d) merge or consolidate with any other Person or acquire a material amount of assets from any other Person;

(e) sell, lease, license or otherwise dispose of any material assets or property, other than (A) pursuant to existing contracts or commitments, (B) pursuant to the current strategic work plan, capital budget, or operating budget, as applicable, or (C) otherwise in the ordinary course consistent with past practice;

(f) incur any capital expenditures in excess of Two Million Dollars (\$2,000,000) in the aggregate, other than pursuant to the current strategic work plan, capital budget, or operating budget;

(g) create, incur, assume, suffer to exist or otherwise be liable with respect to any Indebtedness having an aggregate principal amount outstanding at any time greater than Two Million Dollars (\$2,000,000), other than in accordance with the current capital budget or operating budget;

(h) make any material changes to a PacificSource Entity's methods of accounting, except in connection with concurrent changes in GAAP or statutory accounting principles, as the case may be;

(i) institute, settle, or offer or propose to settle, any litigation, investigation, arbitration, proceeding or other claim involving or against a PacificSource Entity, in each case except for settlements that would not involve the payment of an amount in excess of Two Million Dollars (\$2,000,000);

(j) make any material change in a PacificSource Entity's network of health care providers;

(k) make or revoke any material Tax election, agree to any settlement or compromise regarding any Tax Liability in excess of One Million Dollars (\$1,000,000) or any extension or waiver of the statute of limitations period applicable to any Taxes, Tax Returns or Tax claims, amend any Tax Returns, or obtain or file for any rulings with respect to Taxes; or

(l) agree or commit to do any of the foregoing.

10.2 No Change in Ownership of the PacificSource Affiliates. Unless otherwise agreed by Legacy, PHA and PacificSource, the members/owners of each of the PacificSource Affiliates will remain as they are on the Effective Date, and no other Person will hold any member or equity interest in any of the PacificSource Affiliates or rights to acquire any member or equity interest in any of the PacificSource Affiliates.

10.3 Distributions. Other than the transactions contemplated by Section 3.4, PacificSource shall not make any distributions to PHA between the date hereof and the Closing Date.

10.4 Access to Information. Provided that Legacy and its authorized representatives are at all times in compliance with the Confidentiality Agreement, from the date hereof until the Closing Date, the PacificSource Entities will, to the extent permitted by Applicable Law, during reasonable business hours and upon reasonable advance notice (a) give Legacy, its counsel, financial advisors, auditors and other authorized representatives reasonable access to the offices, properties, books and records of the PacificSource Entities; (b) furnish to Legacy, its counsel, financial advisors, auditors and other authorized representatives such financial and operating data and other information relating to the PacificSource Entities as such Persons may reasonably request; and (c) instruct the employees of the PacificSource Entities to cooperate with Legacy in its investigation of the PacificSource Entities. Notwithstanding the foregoing, the PacificSource Entities shall not be required to violate any obligation of confidentiality to which the PacificSource Entities are subject or any attorney-client privilege. Legacy agrees that its investigation shall be conducted in such a manner as not to interfere unreasonably with the operations of the PacificSource Entities, and in discharging its obligations pursuant to this Section 10.4, Legacy shall not speak to any non-executive level employees or any customers, distributors or suppliers of the Purchaser Parties without the presence of a designated representative of PacificSource.

10.5 Reasonable Efforts. Subject to the terms and conditions of this Agreement, prior to the Closing, each Party will use reasonable efforts to cause the Closing to occur.

10.6 Notices of Certain Events. Each Party shall promptly notify the other Parties in writing upon (a) the occurrence, or failure to occur, of any event, which occurrence or failure to occur has caused or could be reasonably likely to cause any representation or warranty of such Party contained in this Agreement or any related document to be untrue or inaccurate at any time prior to Closing, (b) any breach or failure of such Party or any officer, director, employee or Affiliate or agent thereof, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it under this Agreement or any related document, or (c) any other event or development affecting the ability of such Party to consummate the transactions contemplated by this Agreement or any related documents.

10.7 Updated Disclosure Schedules. From and after the date of this Agreement until the Closing: (i) the PacificSource Entities may not, without the prior written consent of Legacy, supplement, amend or create any Section of the PacificSource Disclosure Schedule, in order to add information or correct previously supplied information; and (ii) Legacy may not, without the prior written consent of PacificSource, supplement, amend or create any Section of the Legacy Disclosure Schedule, in order to add information or correct previously supplied information. No such supplement, amendment or addition shall be deemed to cure any breach for purposes of Section 14. Notwithstanding the foregoing, from and after the Effective Date until the Closing, PacificSource may amend Section 11.6 of the PacificSource Disclosure Schedule to reflect any actions which a PacificSource Entity is permitted to take pursuant to Section 10.1 without Legacy's prior consent or approval.

10.8 Consents of Third Parties; Governmental Approvals. Subject to the terms of this Section 10.8, Legacy, PHA and the PacificSource Entities shall take, or cause to be taken by others, commercially reasonable steps to obtain and satisfy, at the earliest practicable date, all consents listed or incorporated by reference in Section 11.3 of the PacificSource Disclosure Schedule, including all Required Consents; provided, however, that in complying with this Section 10.8, the PacificSource Entities shall not be required to (a) threaten, commence or prosecute any Action, (b) expend money (other than normal legal and professional fees) except for fees payable in connection with obtaining such consents, including any filing fees, if any, or (c) offer or grant any accommodation (financial or otherwise) to any Third Party.

11. Representations and Warranties of the PacificSource Entities and PHA. PacificSource, the PacificSource Affiliates, and PHA jointly and severally represent and warrant to Legacy as of the date hereof and as of the Closing Date that except as set forth on the PacificSource Disclosure Schedule (which PacificSource Disclosure Schedule sets forth the exceptions to the representations and warranties contained in this Section 11 under captions referencing the Sections and subsections, if any, of this Agreement to which such exceptions apply; provided, however, that disclosure of any fact or item in the PacificSource Disclosure Schedule shall, should the existence of such fact or item be relevant to any other Section of this Agreement, be deemed disclosed with respect to such other Section of this Agreement, but only to the extent that such relevance is reasonably apparent on the face of such disclosure):

11.1 Corporate Organization. PacificSource and each of the PacificSource Affiliates that is a Party to this Agreement has been duly incorporated and is validly existing as a corporation under the laws of its jurisdiction of organization and has the corporate power and authority to own or lease its properties and to conduct its business as it is now being conducted. PacificSource and each of the PacificSource Affiliates that is a Party to this Agreement is duly licensed or qualified and in good standing as a foreign corporation in each jurisdiction in which the ownership of its property or the character of its activities is such as to require it to be so licensed or qualified, except where the failure to be so licensed or qualified would not reasonably be expected to have a Material Adverse Effect on the subject entity. Section 11.1 of the PacificSource Disclosure Schedule sets forth the jurisdiction of organization for PacificSource and each of the PacificSource Affiliates and in each jurisdiction in which PacificSource and the PacificSource Affiliates are required to be registered as a foreign corporation.

11.2 Due Authorization. PacificSource and each of the PacificSource Affiliates that is a Party to this Agreement has all requisite corporate power and authority to execute and deliver this Agreement and to perform all obligations to be performed by it hereunder. The execution and delivery of this Agreement and the consummation of the Contemplated Transactions have been duly and validly authorized and approved by the boards of directors of PacificSource and the PacificSource Affiliates that are Parties to this Agreement, and no other corporate proceeding on the part of PacificSource or such PacificSource Affiliates is necessary to authorize this Agreement. This Agreement has been duly and validly executed and delivered by PacificSource and the PacificSource Affiliates that are Parties to this Agreement and constitutes a legal, valid and binding obligation of PacificSource and such PacificSource Affiliates, enforceable against PacificSource and such PacificSource Affiliates in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium

and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

11.3 Governmental Authorization. The execution, delivery and performance by PacificSource Entities of this Agreement and the consummation of the Contemplated Transactions require no material action by or in respect of, or material filing with, any Governmental Authority other than those matters set forth in Section 8.4 of the PacificSource Disclosure Schedule.

11.4 No Conflict. Subject to the consents, approvals, authorizations and other requirements that are conditions to Closing, the execution and delivery of this Agreement by PacificSource and the PacificSource Affiliates that are Parties to this Agreement and the consummation of the Contemplated Transactions do not and will not violate any provision of, or result in the breach of, any applicable law, the Articles or Certificate of Incorporation, Bylaws or other organizational documents of PacificSource or such PacificSource Affiliates, or any agreement, indenture or other instrument to which PacificSource or any of such PacificSource Affiliates is a party or by which PacificSource or any of such PacificSource Affiliates may be bound, or terminate or result in the termination of any such agreement, indenture or instrument, or result in the creation of any lien upon any of the properties or assets of PacificSource or any of such PacificSource Affiliates, or constitute an event which, after notice or lapse of time or both, would result in any such violation, breach, termination or creation of a lien, except to the extent that the occurrence of any of the foregoing would not reasonably be expected to have (a) a Material Adverse Effect on the ability of PacificSource or any of the PacificSource Affiliates that are Parties to this Agreement to enter into and perform its obligations under this Agreement or (b) a Material Adverse Effect on PacificSource or any of such PacificSource Affiliates.

11.5 Financial Statements.

(a) PacificSource has delivered to Legacy: (i) true and complete copies of the audited and consolidated balance sheet of the PacificSource Entities dated December 31, 2014, including the notes thereto, and the related audited statements of income, operations, stockholders'/members' equity to the extent applicable, and cash flows for the fiscal year then ended (collectively, the "**Year-End Financial Statements**"); and (ii) true and complete copies of the unaudited aggregate interim balance sheet of the PacificSource Entities (the "**Interim Balance Sheet**") dated as of the Interim Balance Sheet Date and the related unaudited consolidated statements of income, operations, stockholders' equity and cash flows for the three (3)-month period ended on the Interim Balance Sheet Date (the "**Interim Financial Statements**," and, together with the Year-End Financial Statements, the "**PacificSource Entities Financial Statements**"). The PacificSource Entities Financial Statements: (x) have been prepared in accordance with GAAP; and (y) fairly and accurately present in all material respects the assets, Liabilities (including all reserves) and financial position of the PacificSource Entities as of the dates thereof and the results of operations, changes in stockholders' equity (where applicable) and cash flow for the periods then ended, subject, in the case of the Interim Financial Statements, to normal recurring year-end adjustments and to the absence of notes.

(b) Since December 31, 2014, each PacificSource Entity has filed all annual and quarterly statements required to be filed by it with any Governmental Authority (the "**Statutory Filings**").

(c) The loss reserves and other actuarial amounts of any PacificSource Entity that operates as a Health Plan as of the Interim Balance Sheet Date recorded in the Statutory Filings: (i) were determined in all material respects in accordance with actuarial standards of practice in effect on that date (except as may be indicated in the notes thereto), (ii) satisfied all Applicable Laws in all material respects and were computed on the basis of methodologies consistent in all material respects with those used in computing the corresponding reserves in the prior fiscal years (except as may be indicated in the notes thereto), (iii) were fairly stated in all material respects in accordance with sound actuarial principles, and (iv) include provisions for all actuarial reserves that are required to be established in accordance with Applicable Laws and in accordance, in all material respects, with prudent insurance practices generally followed in the insurance industry.

11.6 Absence of Certain Changes. Except as set forth in Section 11.6 of the PacificSource Disclosure Schedule, from December 31, 2014:

(a) there has not been a Material Adverse Effect regarding any PacificSource Entity;

(b) no Permits or Health Care Permits held by a PacificSource Entity have been materially modified or have lapsed or expired;

(c) there has been no amendment of the Governing Documents of any PacificSource Entity, except as provided for in this Agreement;

(d) no PacificSource Entity has paid any fines, penalties or other damages in aggregate of One Million Dollars (\$1,000,000) or greater to any Third Party, excluding a Governmental Authority;

(e) no PacificSource Entity has paid any fines, penalties or other damages in aggregate of Two Hundred Fifty Thousand Dollars (\$250,000) or greater to any Governmental Authority;

(f) no PacificSource Entity has suffered a reduction in the number of Enrollees that has resulted in a Material Adverse Effect for the PacificSource Entities, taken as a whole;

(g) except for a pending transaction involving acquisition of a member interest in a Health Plan outside of the State of Oregon which has been disclosed by PacificSource to Legacy and which, if consummated, may be consummated prior to the Closing (the “**Pending Transaction**”), there has not been any acquisition or disposition by any PacificSource Entity of any Health Plan-related business;

(h) unless otherwise agreed by Legacy, PHA and PacificSource, there has not been any issuance of any shares of the capital stock or membership interests of any PacificSource Entity or any direct or indirect redemption, purchase or other acquisition of any shares of the capital stock or membership interests of a PacificSource Entity;

(i) there has not been any change in any method of accounting or accounting practice of the PacificSource Entities, except as required by GAAP or statutory accounting principles or as disclosed in the notes to the PacificSource Entities Financial Statements;

(j) there has not been any entry into any Contract that would constitute a PacificSource Contract;

(k) there has not been any change in a PacificSource Entity’s cash management practices or policies, practices and procedures with respect to collection of accounts receivable, establishment of reserves for uncollectible accounts, accrual of accounts receivable, inventory control, prepayment of expenses, payment of trade accounts payable, accrual of other expenses, deferral of revenue and acceptance of customer deposits;

(l) there has not been any material incurrence, assumption or guarantee of any Indebtedness for borrowed money by a PacificSource Entity except unsecured current obligations and Liabilities incurred in the ordinary course of business;

(m) there has not been any material transfer, assignment, sale or other disposition to a Third Party of any of a PacificSource Entity’s assets shown or reflected in the Year-End Financial Statements, or cancellation of any debts or entitlements to or from a Third Party by a PacificSource Entity, that is inconsistent with the current strategic work plan, capital budget, or operating budget applicable to such PacificSource Entity;

(n) there has not been any transfer, assignment or grant of any license or sublicense of any material rights under or with respect to any PacificSource Intellectual Property;

(o) there has not been any material damage, destruction or loss (whether or not covered by insurance) to a PacificSource Entity's property;

(p) there has not been any capital investment in, or any loan to, any Third Party by a PacificSource Entity that is inconsistent with the current strategic work plan, capital budget, or operating budget applicable to such PacificSource Entity;

(q) there has not been any acceleration, termination, material modification to or cancellation of any PacificSource Contract;

(r) there have not been any material capital expenditures by a PacificSource Entity that are inconsistent with the current strategic work plan, capital budget, or operating budget applicable to such PacificSource Entity;

(s) there has not been any imposition of any encumbrance upon any of the PacificSource Entities' properties, capital stock or assets, tangible or intangible that is inconsistent with the current strategic work plans, capital budgets, or operating budgets applicable to the PacificSource Entities;

(t) there has not been any hiring or promoting of any person on a PacificSource Entity's executive team by a PacificSource Entity, except to fill a vacancy in the ordinary course of business, that is inconsistent with the current strategic work plans, capital budgets, or operating budgets applicable to the PacificSource Entities;

(u) there has not been, by a Pacific Source Party, any adoption, modification or termination of any: (i) employment, severance, retention or other agreement with any current or former employee, officer, director, independent contractor or consultant, (ii) Employee Benefit Plan or (iii) collective bargaining or other agreement, in each case whether written or oral;

(v) there has not been any loan to (or forgiveness of any loan to) or entry into any other transaction outside the ordinary course of business between a PacificSource Entity and its directors, officers or employees;

(w) there has not been any entry into a new line of business or abandonment or discontinuance of existing lines of business by a PacificSource Entity that is inconsistent with the current strategic work plans, capital budgets, or operating budgets applicable to the PacificSource Entities;

(x) there has not been any adoption of any plan of merger, consolidation, reorganization, liquidation or dissolution or filing of a petition in bankruptcy under any provisions of federal or state bankruptcy law or consent to the filing of any bankruptcy petition against it under any similar laws by a PacificSource Entity;

(y) there has not been any increase in the compensation, pension or other benefits payable or to become payable by a PacificSource Entity to its executive team, or any bonus payments or arrangements made to or with any of the members of its executive team that

is inconsistent with the current strategic work plans, capital budgets, or operating budgets applicable to the PacificSource Entities;

(z) except for the Pending Transaction, there has not been any acquisition by merger or consolidation with, or by purchase of a substantial portion of the assets or stock of, or by any other manner, any business or any Person or any division thereof by a PacificSource Entity; and

(aa) the PacificSource Entities have conducted their respective businesses in the ordinary course consistent with past practices and the PacificSource Entities have not taken any action that, if taken during the period from the date of this Agreement through the Closing Date without Legacy's consent, would constitute a breach of Section 10.1.

11.7 No Undisclosed Liabilities. Except as set forth on Section 11.7 of the PacificSource Disclosure Schedule, as of the date of this Agreement, to the Knowledge of the PacificSource Entities, there is no Liability against the PacificSource Entities of a type normally reflected or reserved for on a balance sheet prepared in accordance with GAAP, except for Liabilities (i) reflected or reserved for on the financial statements provided to Legacy or disclosed in the notes thereto, (ii) that have arisen in the ordinary course of the operation of business of the PacificSource Entities since the date of the most recent balance sheet provided to Legacy, or (iii) disclosed in the PacificSource Disclosure Schedule hereto.

11.8 PacificSource Contracts.

(a) Each of the following agreements, including all amendments or modifications thereto, to which a PacificSource Entity is a party (true and correct copies of which have been made available by PacificSource to Legacy) is denoted as a "**PacificSource Contract**":

- (1) material Contracts;
- (2) Real Property Leases;
- (3) Contracts relating to any Indebtedness of a PacificSource Entity;
- (4) Contracts that provide for an ongoing severance obligation of a PacificSource Entity to any current or former employee, or contain any ongoing change of control or similar provisions in respect of any employee of a PacificSource Entity or other Person;
- (5) Contracts which place any material limitation or material restrictive covenant on a PacificSource Entity with respect to the method of conducting, or scope of, its business;
- (6) All exclusive or preferred (within a market) Provider Contracts of the PacificSource Entities;

(7) Contracts of the PacificSource Entities with a Third Party which contain any exclusivity right in favor of a Third Party, including any obligation to purchase goods or services from or refer parties to any Third Party;

(8) any guarantee Contract or other Contract by which a PacificSource Entity is or may become liable for the Indebtedness or other obligations of another Person, any Affiliate of a PacificSource Entity or any other Third Party; and

(9) any Contract under which a PacificSource Entity has limited or restricted its right to compete or contract with any Person in any respect or use or disclose any information in its possession (other than confidentiality agreements entered into the ordinary course of business).

(b) Each PacificSource Contract sets forth the entire agreement and understanding between the applicable PacificSource Entity and the other parties thereto. All PacificSource Contracts are legal, valid and binding in accordance with their respective terms and are in full force and effect and neither the PacificSource Entities, nor, to the Knowledge of PacificSource Entities, any other party thereto is in material default thereunder. To the Knowledge of the PacificSource Entities, no event has occurred which (whether with or without notice, lapse of time or both or the happening or occurrence of any other event) would constitute a material default under any PacificSource Contract on the part of a PacificSource Entity. Except as set forth in Section 11.8(b) of the PacificSource Disclosure Schedule, the PacificSource Entities have not received any written notice of breach or default or been threatened in writing with a notice of breach or default with respect to any PacificSource Contract within the past two (2) years. The PacificSource Entities have made available to Legacy true and correct copies of all PacificSource Contracts, including all amendments and modifications thereto.

(c) Except as set forth in Section 11.8(c) of the PacificSource Disclosure Schedule, there are no Contracts to which a PacificSource Entity is a party which would require a payment or other form of consideration to any Person in connection with the Contemplated Transactions.

(d) Except as set forth in Section 11.8 of the PacificSource Disclosure Schedule, there are no Contracts to which a PacificSource Entity is a party which contain any exclusivity right in favor of a Third Party, including any obligation to purchase goods or services from or refer parties to any Third Party, which exclusivity provisions would be binding on Legacy or any of its Affiliates (other than on a PacificSource Entity) immediately following the Closing.

11.9 Compliance with Laws.

(a) To the Knowledge of the PacificSource Entities, each PacificSource Entity is and has been in compliance in all material respects with all Applicable Laws. None of the PacificSource Entities has received any notice, the point or effect of which is that such PacificSource Entity is not in compliance with Applicable Laws. Notwithstanding the foregoing,

it is understood and agreed that the occasional noncompliance notice and/or fine by an insurance regulator with respect to particular conduct by a PacificSource Entity shall not constitute a material violation of Applicable Laws if (x) such conduct is promptly remedied as required by the insurance regulator, and (y) such PacificSource Entity is otherwise deemed by such insurance regulator to be in material compliance with Applicable Laws.

(b) All material Permits held by the PacificSource Entities have been previously provided to Legacy. All such Permits are currently in full force and effect. No written notice of any violation has been received by any PacificSource Entity in the past three (3) years in respect of any such Permit, and there is no proceeding which is pending or, to the Knowledge of the PacificSource Entities, threatened that is reasonably likely to suspend or revoke or impose any material penalty or Liability with respect to any such Permit or to condition or limit any such Permit.

11.10 Providers, Provider Contracts and Payor Contracts.

(a) For purposes of this Agreement, “**Material Health Care Providers**” with respect to each PacificSource Entity which conducts business as a Health Plan are: (i) the top 5 hospitals, based on the total of all hospital payments made by the PacificSource Entity in calendar year 2015; (ii) the top 5 physician groups, based on the total of all physician payments made by the PacificSource Entity in calendar year 2015, (iii) the top 5 individual physicians, based on the total of all physician payments made by the PacificSource Entity in calendar year 2015, (iv) the top 5 ancillary or specialty Providers, based on the total of all ancillary and specialty Provider payments made by the PacificSource Entity in calendar year 2015; and (v) the pharmacy benefit manager with which the PacificSource Entity has contracted. Except in the ordinary course of business, no material past due amounts are owing by the PacificSource Entity under any Contracts with Material Health Care Providers and no PacificSource Entity is aware of any outstanding written claim made by a Material Health Care Provider that the PacificSource Entity has failed to perform a material monetary or nonmonetary obligation arising under its Contract. All of the Contracts with Material Health Care Providers are in writing, were entered into in the ordinary course of business and constitute valid, binding and enforceable agreements of the parties thereto. All forms of the Contracts with Providers which are currently in use by the PacificSource Entity conform to the material requirements of Applicable Laws, including the Health Care Laws in all material respects. To the Knowledge of the PacificSource Entities, there are no circumstances, including the consummation of the Contemplated Transactions, which are reasonably likely to result in the termination, cancellation or nonrenewal of Contracts with Material Health Care Providers or the cessation of business being transacted between PacificSource Entities and a Material Health Care Provider. To the Knowledge of the PacificSource Entities, no Material Health Care Provider has furnished a cancellation, termination or nonrenewal notice to a PacificSource Entity.

(b) For each PacificSource Affiliate that conducts business as a health insurer or third party administrator, such PacificSource Affiliate’s administrative processes, policies and procedures are designed with the intention that such PacificSource Affiliate complies with applicable Health Care Laws and industry standards regarding the selection, de-selection and credentialing of contracted Providers. Each such PacificSource Affiliate contractually requires its contracted Providers to comply with all Health Care Laws, industry standards and the

PacificSource Affiliate's policies and procedures regarding the selection, de-selection and credentialing of such Providers' respective practitioners and contracted Providers and, to the Knowledge of the PacificSource Entities, such Providers have so complied, in all material respects.

(c) The manner in which the PacificSource Entities place their contracted Providers at financial risk for health care services furnished to Enrollees does not violate applicable Health Care Laws in any material respect. To the PacificSource Entities' Knowledge, the PacificSource Entities' contracted Providers which are required to comply with those reporting, financial reserve and other requirements applicable to risk-bearing Provider organizations are in compliance, in all material respects, with all applicable reporting, financial reserve and other requirements of Governmental Authorities. To the PacificSource Entities' Knowledge, the PacificSource Entities have not entered into any fee-for-service agreements with Providers who or which are violating any state or federal antitrust Applicable Laws that restrict fixing of prices among competitors.

11.11 Regulatory Matters

(a) Section 11.11 of the PacificSource Disclosure Schedule sets forth a list of the Permits issued to the PacificSource Entities under Health Care Laws (the "**Health Care Permits**"). The Health Care Permits are valid and in full force and there are no pending or, to the Knowledge of the PacificSource Entities, threatened audits, investigations or proceedings which reasonably would be expected to result in the termination or revocation or any Permits or result in any limitation, restriction or impairment thereof. No PacificSource Entity has received any written communications from any Governmental Authority indicating a reasonable likelihood that any Health Care Permits will be revoked or suspended. Each PacificSource Affiliate which is a Medicare Advantage Organization is authorized by CMS to participate as a Medicare Advantage Program contractor and to offer Medicare Advantage Plans (all as approved by any Governmental Authority with authority over such programs and CMS). The Health Care Permits are sufficient for the PacificSource Entities to lawfully conduct their business as conducted as of the date hereof and as of the Closing Date.

(b) The PacificSource Entities have timely filed all regulatory reports, schedules, statements, documents, filings, submissions, forms, registrations and other documents, together with any amendments required to be made with respect thereto and any such filings that were pending as of such date, that the PacificSource Entities were required to file with any Governmental Authority, including state health and insurance regulatory authorities and any applicable federal regulatory authorities, and has timely paid all Taxes, fees and assessments due and payable in connection therewith, except for those filings the failure to timely file would not, individually or in the aggregate, have a Material Adverse Effect. There are no outstanding material deficiencies or Liabilities which any Governmental Authority has asserted with respect to any State Regulatory Filings or information contained therein.

(c) All premium rates, rating plans and policy terms established and used by a PacificSource Entity that are required to be filed with and/or approved by Governmental Authorities, including CMS, have been in all material respects so filed and/or approved, the premiums charged conform in all material respects to the premiums so filed and/or approved and

comply in all material respects with Applicable Laws, including the Health Care Laws, and to the Knowledge of the PacificSource Entities, no such premiums are subject to any investigation by any Governmental Authority.

(d) All annual statements and quarterly statements of each PacificSource Entity required under Health Care Laws and filed with Governmental Authorities for the years ended December 31, 2013 and December 31, 2014 have been filed (the “**State Regulatory Filings**”). Except as otherwise set forth in such State Regulatory Filings when made, all such State Regulatory Filings and the statutory balance sheets and income statements included therein: (i) were prepared from the books and records of the PacificSource Entity, (ii) fairly present in all material respects the statutory financial condition and results of operations of the PacificSource Entity, as applicable, as of the date and for the periods indicated therein and (iii) where applicable, have been prepared in all material respects in accordance with GAAP consistently applied throughout the periods indicated, except as may be reflected in the notes thereto and subject to the absence of notes where not required by GAAP and to normal year-end adjustments.

(e) The PacificSource Entities have made available to Legacy true and correct copies of all actuarial reports prepared by independent or internal actuaries of each PacificSource Entity that operates as a Health Plan since December 31, 2014 (other than actuarial reports prepared by internal actuaries that are not material to the aggregate reserves of such PacificSource Entities) and all attachments, addenda, supplements and modifications thereto.

(f) Each PacificSource Entity is authorized to operate, without restriction, throughout the entirety of the Service Area specified within the Health Care Permits. There are no restrictions placed upon a PacificSource Entity’s marketing activities in any part of the Service Area, except for such restrictions which are placed on the health care industry in general and by CMS for Medicare Advantage Programs. No PacificSource Entity has Health Plan operations or other activities outside of the Service Area and does not provide or arrange for health care services or benefits for any Enrollees or other individuals who reside outside of the Service Area. For each of the PacificSource Entities that is a Medicare Advantage Organization, such entities’ Medicare Advantage Plans, including the benefit design and structure, administration, bid submission and pricing thereof, comply, in all material respects, with all applicable Health Care Laws.

(g) Each PacificSource Entity that operates as a Health Plan is in full compliance with all deposit, reserve, capital, net worth and other financial requirements, including net equity, statutory and risk-based capital requirements and the net worth requirement, applicable to such PacificSource Entity under Health Care Laws, including all regulations, guidelines, directives and orders of any Governmental Authority.

11.12 Medicare and Medicaid Participation.

(a) Each PacificSource Entity that operates as a Health Plan, if applicable, meets all requirements of participation, claims submission and payment of the Programs and is a party to valid participation agreements for payment by such Programs. Each PacificSource

Entity that operates as a Medicare Advantage Organization is a party to one or more valid agreements with CMS authorizing its participation as a Medicare Advantage Program contractor.

(b) For the past three (3) years from the date hereof, no PacificSource Entity has received or been party to any (i) orders, letters, communications or other notices from CMS or any other Governmental Authority relating to the such PacificSource Entity's failure to meet any of the requirements for continued participation in the Programs (including any orders, letters, communications or notices relating to CMS' plan rating (or "star rating") or stating that continued participation may be contingent on a PacificSource Entity developing, adopting, implementing or taking any sort of corrective or remedial actions), or (ii) Corrective Action Plans developed by a PacificSource Entity in response to or as a result of the orders, letters, communications and notices specified in clause (i).

11.13 Penalties Under Medicare/Medicaid Programs. No PacificSource Entity has been required to pay any civil monetary penalty under Applicable Law regarding false, fraudulent or impermissible claims under, or payments to induce a reduction or limitation of health care services to beneficiaries of, any state or federal health care program. To the Knowledge of the PacificSource Entities, no PacificSource Entity is the subject of any investigation or proceeding that may result in such payment. No PacificSource Entity nor, to the Knowledge of the PacificSource Entities, any of a PacificSource Entity's current employees are debarred, suspended from, or otherwise excluded from participation or ineligible to participate in, Medicare or Medicaid nor, to the Knowledge of the PacificSource Entities, have any such current employees been convicted, under federal or state law, of a criminal offense related to: (a) the neglect or abuse of a patient or (b) the delivery of an item or service, including the performance of management or administrative services related to the delivery of an item or service, under the Medicare or Medicaid programs. No PacificSource Entity is a party to any corporate integrity agreements, monitoring agreements, consent decrees, settlement orders, or similar agreements imposed by any Governmental Authority.

11.14 Recoupment Proceedings. To the Knowledge of the PacificSource Entities, there are no material Program recoupments, adjustments or recovery proceedings or material recoupments, adjustments or recovery proceedings of any third-party payor, including any Federal Reconciliation Adjustments, being sought, requested, claimed or threatened against a PacificSource Entity.

11.15 Producers, Producer Contracts and Commissions.

(a) To the Knowledge of the PacificSource Entities, each Producer employed or contracted with a PacificSource Entity that provide Medicare Advantage Plans is, properly licensed and appointed to sell the Medicare Advantage Plans. To the Knowledge of the PacificSource Entities, each Producer employed or contracted with a PacificSource Entity that provides any other governmental or commercial health plan products is properly licensed and appointed to sell such products. The commissions payable by a PacificSource Entity to its employed and contracted Producers comply with applicable Health Care Laws. To the Knowledge of the PacificSource Entities, none of the Producers has violated laws applicable to the marketing or enrollment of the Medicare Advantage Plans or any commercial plans.

11.16 Compliance.

(a) Each PacificSource Entity that operates as a Health Plan has implemented a corporate compliance program which, if required, was presented to, and approved by, CMS, and staff to oversee the functioning of its corporate compliance program. As part of its corporate compliance program, each PacificSource Entity that operates as a Health Plan has implemented administrative processes, policies and procedures that are designed to ensure that the PacificSource Entities remain in compliance with Health Care Laws. Each PacificSource Entity has implemented a plan to comply with HIPAA and other Applicable Laws which protect or regulate the privacy, security, integrity, accuracy, transmission, storage or disclosure of individual medical records and other personnel, financial or consumer information which they generate, receive or maintain, and has trained staff to oversee the functioning of such plan.

(b) Except as disclosed in Section 11.16(b) of the PacificSource Disclosure Schedule, each PacificSource Entity has complied, and is in compliance, in all material respects, with HIPAA, as applicable to such PacificSource Entity as either a covered entity or business associate, as the case may be or may have been. Without limiting the generality of the foregoing, each PacificSource Entity: (i) is and has been in compliance, in all material respects, with the standard transaction, privacy, security and breach notification requirements established by HIPAA; (ii) as required by applicable Health Care Laws has developed and has implemented policies and procedures and training programs reasonably designed to ensure past, current, and ongoing compliance with HIPAA's privacy, security and breach notification regulations and other Applicable Laws, including state data privacy, security and breach notification Applicable Laws; and (iii) has executed business associate agreements meeting all requirements set forth in the HIPAA privacy, security and breach notification regulations with all contractors that meet the definition of a business associate under HIPAA. Except as disclosed in Section 11.16(b) of the PacificSource Disclosure Schedule, no PacificSource Entity has discovered or been made aware of any breach of unsecured protected health information or circumstances that likely could lead to such a breach. No material violation of HIPAA has been, to the Knowledge of the PacificSource Entities, alleged or threatened against a PacificSource Entity by any Governmental Authority, a Enrollee or prospective Enrollee or any other Person. In the event of any discovered breach of unsecured protected health information, the applicable Person has provided sufficient notice to each individual whose protected health information was breached. Section 11.16(b) of the PacificSource Disclosure Schedule sets forth all breaches of unsecured protected health information which have occurred during the four (4) year period ending on the date hereof and any administrative actions taken with respect to such breaches.

11.17 Litigation. Except as disclosed in Section 11.17 of the PacificSource Disclosure Schedule, and except for oral threats of Action occasionally made by Enrollees to customer service representatives in the ordinary course of business, there is no Action presently pending against, or to the Knowledge of the PacificSource Entities, threatened against or affecting, a PacificSource Entity or any of their respective properties before any arbitrator or any Governmental Authority. There is no Action presently pending against, or to the Knowledge of the PacificSource Entities, threatened against or affecting, the PacificSource Entities or any of their officers or directors which in any manner challenges or seeks to prevent, enjoin, alter or delay the Contemplated Transactions. No PacificSource Entity is subject to (i) any continuing order of, consent decree, settlement agreement or other similar written agreement with any

Governmental Authority, or (ii) any judgment, order, writ, injunction, decree or award of any Governmental Authority or arbitrator.

11.18 Properties.

(a) Owned Real Property. Except for the Bend Real Property and the Springfield Real Property, the PacificSource Entities do not own any real property.

(b) Leased Real Property. Section 11.18(b) of the PacificSource Disclosure Schedule contains a complete and correct list of all leases and subleases pursuant to which a PacificSource Entity leases (as lessor or lessee), holds or occupies real property (including any additional leases entered into by the PacificSource Entities in the ordinary course of business after the Effective Date and before the Closing, the “**Real Property Leases**”). PacificSource has made available to Legacy true and correct copies of all Real Property Leases (including all amendments or agreements related thereto and all material notices and correspondence related thereto) and will make available to Legacy true and correct copies of all Real Property Leases entered into in the ordinary course of business by the PacificSource Entities after the Effective Date and before the Closing. The PacificSource Entities represent and warrant that (i) no PacificSource Entity is in default in any material respect under any Real Property Lease (and no event has occurred which with notice or lapse of time would constitute such material breach, violation or default) and, to the Knowledge of the PacificSource Entities, no other party to any Real Property Lease is in default in any material respect thereunder; (ii) no material controversy, claim, dispute or disagreement exists between the parties to the Real Property Leases; and (iii) except as disclosed in Section 11.18(b) of the PacificSource Disclosure Schedule, no PacificSource Entity has assigned its interest under any Real Property Lease or subleased all or any part of the space demised thereby. No option has been exercised under any Real Property Lease except an option whose exercise has been evidenced by a written document, a true and complete copy of which has been delivered to, or, in the case of Real Property Leases entered into in the ordinary course of business by the PacificSource Entities after the Effective Date and before the Closing, will be delivered to, Legacy with the corresponding Real Property Lease. The premises leased pursuant to the Real Property Leases are sufficient for the conduct of the businesses of the PacificSource Entities as such businesses are conducted as of the date hereof and as of the Closing Date. A PacificSource Entity has the right under each Real Property Lease to occupy and use the premises leased pursuant thereto. Neither the whole nor any portion of such premises has been or, to the Knowledge of the PacificSource Entities, is threatened to be condemned, requisitioned or otherwise taken by any Governmental Authority. All buildings, structures and appurtenances comprising such premises are in satisfactory condition and have been reasonably maintained, normal wear and tear excepted. To the Knowledge of the PacificSource Entities, the premises leased pursuant to the Real Property Leases have received all required approvals of Governmental Authorities required in connection with the operation thereof. The premises leased pursuant to the Real Property Leases are supplied with utilities (including without limitation water, sewage, disposal, electricity, gas and telephone) and other services reasonably necessary for the operation of such premises as currently operated.

(c) Title to Property. Except as set forth in Section 11.18(c) of the PacificSource Disclosure Schedule, each PacificSource Entity owns and has good and marketable title, free and clear of all Liens, to all assets used or necessary for use in such

PacificSource Entity's business as of the date hereof and as of the Closing Date. All tangible assets of the PacificSource Entities are in good operating condition and repair, subject to normal wear and tear.

11.19 Intellectual Property.

(a) Section 11.19(a) of the PacificSource Disclosure Schedule contains a complete and accurate list of all (i) issued patents and pending patent applications (including continuations, divisionals, continuations-in-part, or reissues of patent applications and patents issuing thereon), (ii) registered trademarks, service marks, trade names, logos, domain names, and pending applications for registration of any of the foregoing, (iii) common law trademarks and service marks that are material to the conduct of the business of the PacificSource Entities, (iv) registered copyrights and pending applications for registration of copyrights, and (v) computer software and source code, that are owned by or licensed to the PacificSource Entities (the "**PacificSource Intellectual Property**"); provided, however, that PacificSource Intellectual Property shall not include off the shelf or shrink-wrap software.

(b) The PacificSource Entities have good and marketable title to and possesses all right, title and interest in and to, or a valid and enforceable license to use the PacificSource Intellectual Property, free and clear of any Lien. The PacificSource Intellectual Property encompasses all material intellectual property necessary for the conduct of the business of the PacificSource Entities as conducted on the date hereof. The legality, validity, enforceability, ownership or use by the PacificSource Entities of the PacificSource Intellectual Property owned by the PacificSource Entities has not within the past six (6) years been challenged. The PacificSource Intellectual Property owned by the PacificSource Entities are not subject to any outstanding injunction, judgment, order decree, ruling or charge.

(c) [Intentionally Deleted].

(d) It is the policy of each of the PacificSource Entities to obtain legally binding written agreements from all employees and all third parties with whom any PacificSource Entity has shared any confidential proprietary information of the PacificSource Entities, requiring such employees and third parties to keep such information confidential, and to the Knowledge of the PacificSource Entities, substantially all of such agreements have been obtained.

(e) To the Knowledge of the PacificSource Entities, the PacificSource Intellectual Property does not materially interfere with, infringe upon, misappropriate, or otherwise violate any intellectual property rights of any Third Party. To the Knowledge of the PacificSource Entities, within the past six (6) years, there has not been any material infringement, misappropriation or dilution of any of the PacificSource Intellectual Property or any claim of infringement, misappropriation or dilution of any of the PacificSource Intellectual Property.

(f) IP Contracts. Section 11.19(f) of the PacificSource Disclosure Schedule identifies under separate headings each Contract, whether written or oral, (i) under which a PacificSource Entity uses or licenses from any Person a material item of PacificSource

Technology or any material Intellectual Property Rights (in each case excluding any off-the-shelf commercial software) that any Person besides the PacificSource Entities own (the “**Inbound IP Contracts**”) or (ii) under which a PacificSource Entity has granted any Person any right or interest in any material PacificSource Intellectual Property Rights including any right to use any material item of PacificSource Technology (the “**Outbound IP Contracts**,” together with the Inbound IP Contracts, the “**IP Contracts**”). Except as provided in the Inbound IP Contracts, or as otherwise disclosed on Section 11.19(f) of the PacificSource Disclosure Schedule, the PacificSource Entities do not owe any royalties or other payments to any Person for the use of any PacificSource Intellectual Property or Technology (excluding off-the-shelf commercial software). The PacificSource Entities have delivered to Legacy accurate and complete copies of each of the IP Contracts (or, where an IP Contract is an oral agreement, an accurate and complete written description of such IP Contract), in each case, as amended or otherwise modified and in effect.

(g) Except as previously provided to Legacy, none of the PacificSource Technology owned by the PacificSource Entities or any product or service sold by the PacificSource Entities constitutes, contains, or is dependent on any open source computer code, and none of the PacificSource Technology owned by the PacificSource Entities or any product or service sold by the PacificSource Entities is subject to any IP Contract or other Contract that would require a PacificSource Entity to divulge to any Person any source code or trade secret that is part of such PacificSource Technology.

11.20 Insurance Coverage. PacificSource has previously provided to Legacy all material insurance policies and fidelity bonds relating to the assets, business, operations, officers or directors of the PacificSource Entities, specifying policy limit, type of coverage and expiration date for each of such policies, copies of which have been made available to Legacy. Except as booked on the PacificSource Entities Financial Statements there are no material claims by the PacificSource Entities pending under any of such policies or bonds as to which coverage has been questioned, denied or disputed by the underwriters of such policies or bonds or in respect of which such underwriters have reserved their rights. Each such policy and bond is a valid and binding agreement of the applicable PacificSource Entity, is in full force and effect, and has not been subject to any lapse in coverage. Neither the applicable PacificSource Entity nor, to the Knowledge of the PacificSource Entities, any other party thereto is in material default or breach in any respect under the terms of any such policy or bond. No PacificSource Entity has received any written notice of cancellation of, material premium increase with respect to, or material alteration of coverage under, any of such policies or bonds. All premiums due on such policies or bonds have either been paid or, if due and payable prior to Closing, will be paid prior to Closing in accordance with the payment terms of each such policy or bond.

11.21 Employees.

(a) PacificSource has previously identified for Legacy each employee of a PacificSource Entity who has contractual severance pay potential (if any). PacificSource has previously disclosed to Legacy all employees of the PacificSource Entities’ executive management team who have been terminated by the PacificSource Entities or who have resigned since December 31, 2013. Except as set forth on Section 11.21(a) of the PacificSource Disclosure Schedule, no employee of the PacificSource Entities’ executive management team

has given, since December 1, 2015, notice, or, to the Knowledge of the PacificSource Entities, intends to give, notice to terminate his or her employment with the PacificSource.

(b) PacificSource has previously provided to Legacy a list of all natural persons who, as of the date of this Agreement, are material consultants or material independent contractors to the PacificSource Entities.

(c) There are no pending or, to the Knowledge of the PacificSource Entities, threatened charges (by employees, their representatives or Governmental Authorities) of unfair labor practices or of employment discrimination or of any other wrongful action with respect to any aspect of employment of any person employed or formerly employed by the PacificSource Entities, which, if adversely determined, would, individually or in the aggregate, be reasonably likely to result in a Material Adverse Effect. To the Knowledge of the PacificSource Entities, no investigation by any Governmental Authority of the PacificSource Entities' employment policies or practices is pending or threatened.

(d) To the Knowledge of the PacificSource Entities, no employee of the PacificSource Entities is in violation of any term of any employment contract, patent disclosure agreement, non-competition agreement, or any restrictive covenant to a former employer relating to the right of any such employee to be employed by the PacificSource Entities because of the nature of the business conducted or presently proposed to be conducted by the PacificSource or to the use of trade secrets or proprietary information of others. To the Knowledge of the PacificSource Entities, there is neither pending nor threatened, any Actions with respect to any Contract referred to in the preceding sentence.

(e) Since December 31, 2014, except as set forth on Section 11.21(e) of the PacificSource Disclosure Schedule, no employee of the PacificSource Entities has been granted any material compensation following any termination of employment with the applicable PacificSource Entity.

(f) No PacificSource Entity is delinquent in any material respect in payments to any of its employees, consultants, or independent contractors for any wages, salaries, commissions, bonuses, or other direct compensation for any service performed for it to the date hereof or amounts required to be reimbursed to such employees, consultants, or independent contractors.

(g) There has been no "mass layoff" or "plant closing" within the meaning of the WARN Act with respect to the PacificSource Entities since January 1, 2009.

11.22 Employee Benefit Plans.

(a) PacificSource has made available to Legacy complete copies of the plan documents, plan amendments, summary plan descriptions, summaries of material modifications, summary annual reports, annual reports and any other material documentation related to each "employee benefit plan", as defined in Section 3(3) of ERISA, each employment, severance or similar contract, plan arrangement or policy and each other material plan or arrangement (written or oral) providing for compensation, bonuses, profit-sharing, stock option or other stock related rights or other forms of incentive or deferred compensation, paid time-off benefits, insurance

(including any self-insured arrangements), health or medical benefits, employee assistance program, disability or sick leave benefits, workers' compensation, supplemental unemployment benefits, severance benefits and post-employment or retirement benefits (including compensation, pension, health, medical or life insurance benefits) that is maintained, administered or contributed to by a PacificSource Entity (each an "**Employee Benefit Plan**", and collectively the "**Employee Benefit Plans**"). Section 11.22(a) of the PacificSource Disclosure Schedule lists each Employee Benefit Plan, including each terminated Employee Benefit Plan which has been terminated in the past five (5) years or with respect to which the PacificSource Entities would reasonably be expected to have any actual or contingent Liability.

(b) Each Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Code is so qualified and has been so qualified during the period from its adoption to date, and each trust forming a part thereof is exempt from tax pursuant to Section 501(a) of the Code. The PacificSource Entities have furnished to Legacy copies of the most recent Internal Revenue Service determination or opinion letters with respect to each such plan, and no action or event has occurred since the date of the most recent determination or opinion letter relating to any such Employee Benefit Plan that would adversely affect the tax-qualified status of any such plan or related trust.

(c) Each Employee Benefit Plan has been maintained, funded and administered in compliance in all material respects with the terms of such Employee Benefit Plan and with the applicable requirements of ERISA, the Code, and other Applicable Laws.

(d) No Employee Benefit Plan is a "multiemployer plan" within the meaning of Section 3(37) of ERISA or a "multiple employer plan" or other plan or arrangement or administrative scheme covering more than one employer as defined in Section 413(c) of Code, and the PacificSource Entities (i) have never contributed to a multiemployer plan; and (ii) have never incurred, nor expects to incur, any Liability under Title IV of ERISA. Each Employee Benefit Plan that is a "group health plan" (as defined in Code Section 5001(b)(1)) has been operated in all material respects in compliance with the provisions of COBRA, HIPAA and any applicable, similar state law.

(e) There are no pending or, to the Knowledge of the PacificSource Entities, threatened claims, lawsuits or arbitrations (other than routine claims for benefits) that have been asserted or instituted, or to the Knowledge of the PacificSource Entities, threatened against or with respect to any Employee Benefit Plan or the assets of any of the trusts under any such Employee Benefit Plan. All material contributions required to be made to the Employee Benefit Plans prior to the date of this Agreement pursuant to their terms have been timely made except to the extent the failure to do so would not result in any material Liability to the PacificSource Entities. As of the date of this Agreement, there is no matter pending or, to the Knowledge of the PacificSource Entities, threatened, with respect to any of the Employee Benefit Plans before the IRS, the U.S. Department of Labor ("**DOL**") or any Governmental Authority, and all filings and reports as to each Employee Benefit Plan required to have been submitted to the IRS or the DOL have been timely submitted.

(f) There have been no “prohibited transactions” (within the meaning of Section 406 of ERISA or Code Section 4975) with respect to any Employee Benefit Plan, other than any such transactions that are covered by a statutory or administrative exemption.

(g) No Employee Benefit Plan provides medical or death benefits (whether or not insured) with respect to current or former employees of the PacificSource Entities beyond their termination of employment (other than group health plan coverage mandated by law or death benefits under any Employee Benefit Plan).

(h) There is no contract, agreement, plan or arrangement covering any employee or former employee of the PacificSource Entities that, individually or collectively, could give rise to the payment of any amount that would not be deductible pursuant to the terms of Section 280G of the Code, or which could give rise to or result in the imposition of any of the penalty taxes imposed by Code Sections 4971 through 4980. No event has occurred, and there exists no condition or set of circumstances in connection with the PacificSource Entities that could subject any Employee Benefit Plan to any Liability under ERISA, the Code or any other applicable law.

(i) Except as disclosed in writing to Legacy prior to the date hereof, there has been no amendment to, written interpretation of or announcement (whether or not written) by any PacificSource Entity relating to, or change in employee participation or coverage under, any Employee Benefit Plan that would increase materially the expense of maintaining such Employee Benefit Plan above the level of expense incurred in respect thereof for the fiscal year ended prior to the date hereof.

(j) No tax under Sections 4980B, 4980D or 4890H of the Code has been, or is expected to be, incurred in respect of any Employee Benefit Plan that is a group health plan, as defined in Section 5000(b)(1) of the Code.

(k) Neither the execution of this Agreement nor the consummation of the Contemplated Transactions will: (i) entitle any Person to any payment, forgiveness of indebtedness, vesting, distribution, or increase in benefits under or with respect to any Employee Benefit Plan, (ii) otherwise trigger any acceleration of vesting or payment of benefits under or with respect to any Employee Benefit Plan, or (iii) result in any “parachute payment” that would not be deductible by reason of the application of Code Section 280G.

(l) For any Employee Benefit Plan which constitutes a “non-qualified deferred compensation plan” within the meaning of Code Section 409A(d)(1) and the guidance issued thereunder (each, a “409A Plan”), (i) such 409A Plan meets and has met the requirements of Code Sections 409A(2), (3) and (4), (ii) is and has been operated in accordance with such requirements, and (iii) is and has been operated in good faith compliance with all guidance and regulations provided by the IRS under Code Section 409A.

11.23 Labor Matters. No PacificSource Entity is a party to, or bound by or subject to (and none of its assets or properties is bound by or subject to), any written or oral, express or implied collective bargaining agreement, contract or other agreement or understanding with any labor union or labor organization and no labor union or labor organization or group of

employees has requested or, to the Knowledge of the PacificSource Entities, has sought to represent any of the employees, representatives or agents of the PacificSource Entities. There is no strike, picketing, slowdown, work stoppage or labor dispute against or involving the PacificSource Entities pending, or to the Knowledge of the PacificSource Entities threatened, nor is any PacificSource Entity aware of any labor organization activity involving its employees.

11.24 Tax Matters.

(a) Each PacificSource Entity has duly and timely filed (taking into account any extension of time within which to file) all Tax Returns required to be filed by it (other than Tax Returns which, if properly prepared and filed, would involve an immaterial amount of Taxes), all such Tax Returns are correct and complete in all material respects, and each PacificSource Entity has timely paid all Taxes that were required to have been paid by, or with respect to, such PacificSource Entity (whether or not shown on any Tax Return). Section 11.24 of the PacificSource Disclosure Schedule lists all federal, state, local, and foreign jurisdictions in which the PacificSource Entities file Tax Returns. No PacificSource Entity has been informed by any jurisdiction that the jurisdiction believes that the PacificSource Entities were required to file any Tax Return that was not filed. No PacificSource Entity is currently the beneficiary of any extension of time within which to file any Tax Return. No requests for ruling or determination letters or competent authority relief with respect to any PacificSource Entity is currently pending with any taxing authority with respect to any Taxes. No PacificSource Entity is subject to any private letter ruling of the Internal Revenue Service or any comparable ruling of any other taxing authority.

(b) There is no Tax deficiency proposed, asserted, assessed, or outstanding against any PacificSource Entity. No U.S. federal, state, local, or foreign audit, proceeding or other examination of any Tax Return of any PacificSource Entity is presently in progress, nor has any PacificSource Entity been notified in writing of any request for such an audit or other examination. There are currently no agreements in effect with respect to any PacificSource Entity to extend the period of limitations for the assessment or collection of any Tax.

(c) There are no Liens for Taxes (other than Taxes not yet due and payable or not yet delinquent) upon any of the assets of the PacificSource Entities.

(d) No PacificSource Entity (i) has been a member of an affiliated group filing a combined, consolidated, or unitary Tax Return and (ii) has Liability for the Taxes of any Person under Treasury Regulation § 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract, or otherwise, other than commercial contracts entered into in the ordinary course of business that do not primarily relate to Taxes. No PacificSource Entity is a party to any Tax sharing or Tax allocation agreement other than an agreement amongst the PacificSource Entities which has been previously provided to Legacy. No PacificSource Entity is a party to any Contract or arrangement to pay, indemnify or make any Tax "gross-up" payments with respect to any Tax Liabilities of any stockholder, director, officer or other employee or contractor of such PacificSource Entity.

(e) To the Knowledge of the PacificSource Entities, the unpaid Taxes of the PacificSource Entities: (i) did not, as of the date of the Interim Financial Statements, exceed the

reserve for Tax Liability (other than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of the latest balance sheet included with the Interim Financial Statements (rather than in any notes thereto) and (ii) will not exceed that reserve as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of the PacificSource Entities in filing their Tax Returns. Since the date of the latest balance sheet included with the Interim Balance Sheet, the PacificSource Entities have not incurred any Liability for Taxes outside the ordinary course of business.

(f) No PacificSource Entity has distributed stock of another Person, nor has its stock been distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Section 355 of the Code.

(g) No PacificSource Entity has ever been, nor will it be at the Closing, a "United States real property holding corporation" within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

(h) The PacificSource Entities have withheld and paid all Taxes required to have been withheld and paid in connection with any amounts paid or owing to any employee, independent contractor, creditor, stockholder or other Third Party, and all IRS Forms W-2 and 1099 required with respect thereto have been properly completed in all material respects and timely filed.

(i) No PacificSource Entity is, nor has it been, a party to any "reportable transaction" as defined in Section 6707A(c)(1) of the Code and Treasury Regulations § 1.6011-4(b).

(j) No PacificSource Entity will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending on or after the Closing Date as a result of (i) a change in method of accounting for a taxable period ending on or prior to the Closing Date, (ii) a "closing agreement" as described in Code Section 7121 (or any corresponding or similar provision of any law relating to income Tax) executed prior to the Closing, (iii) an installment sale or open transaction disposition made prior to the Closing, or (iv) prepaid amount received on or prior to the Closing.

11.25 Environmental Matters. To the Knowledge of the PacificSource Entities, (i) no written notice, order, request for information, complaint or penalty has been received by the PacificSource Entities, and (ii) there are no Actions or threatened Actions, in the case of each of (i) and (ii), which allege a violation of any Environmental Law and relate to the PacificSource Entities. The PacificSource Entities have all material environmental Permits necessary for their respective operations to comply with all applicable Environmental Laws and is in compliance in all material respects with the terms of such Permits and with all other applicable Environmental Laws. No PacificSource Entity has treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled, or released any substance, including without limitation any Hazardous Substance on or in the facilities leased under the Real Property Leases (and no such property or facilities are contaminated by any such substance) in a manner that has given rise to Liabilities, including any Liability for response costs, corrective action costs, personal injury,

property damage, natural resources damages or attorney fees, pursuant to any Environmental Law.

11.26 Transactions with Affiliates. Except as set forth in Section 11.26 of the PacificSource Disclosure Schedule, there are no Contracts, arrangements, Indebtedness or other transactions between the PacificSource Entities on the one hand and any Affiliate, or any director or officer of a PacificSource Entity outside the ordinary course of business. Except as set forth in Section 11.26 of the PacificSource Disclosure Schedule, no director or officer of any PacificSource Entity (i) has any interest in any material property or asset used by such PacificSource Entity; (ii) has any cause of action or other claim whatsoever against, or owes any amount to, such PacificSource Entity, except for claims in the ordinary course of business, such as for accrued vacation pay, accrued benefits under employee benefit plans and similar matters and agreements; (iii) is a party to any agreement, contract or commitment with a PacificSource Entity or has received any loan, advance or investment from a PacificSource Entity other than for travel and other business expenses, that has not been repaid in full prior to the date hereof; or (iv) has any business dealings or a material financial interest in any transaction with a PacificSource Entity. No director or officer of a PacificSource Entity is a director, officer or shareholder (excluding a less than 5% stockholder, for investment purposes, of a publicly held corporation) of a competitor, supplier or lessor or lessee of a PacificSource Entity.

11.27 Books and Records. The (a) minute books and stock books of the PacificSource Entities, as previously made available to Legacy and its representatives, contain accurate records of all material meetings of and all material corporate actions or written consents by their applicable shareholder(s)/member(s) and board of directors, and (b) books and records related to Providers and Enrollees, as previously made available to Legacy and its representatives, are true and correct in all material respects.

11.28 Powers of Attorney. There are no outstanding powers of attorney executed on behalf of the PacificSource Entities.

12. Representations, Warranties and Covenants of PHA. PHA represents, warrants and covenants that it has not conducted and will not conduct any business from the time of its formation until the Closing other than (i) as necessary to effect the Closing or (ii) to obtain exemption from state or federal Taxes.

13. Representations and Warranties of Legacy. Legacy represents and warrants to the PacificSource Entities and PHA as of the date hereof and as of the Closing Date that, except as set forth on the Legacy Disclosure Schedule (which Legacy Disclosure Schedule sets forth the exceptions to the representations and warranties contained in this Section 13 under captions referencing the Sections and subsections, if any, of this Agreement to which such exceptions apply; provided, however, that disclosure of any fact or item in the Legacy Disclosure Schedule shall, should the existence of such fact or item be relevant to any other Section of this Agreement, be deemed disclosed with respect to such other Section of this Agreement, but only to the extent that such relevance is reasonably apparent on the face of such disclosure):

13.1 Corporate Organization. Legacy has been duly incorporated and is validly existing as a nonprofit corporation under the laws of the State of Oregon, and Legacy has the

corporate power and authority to own or lease its properties and to conduct its business as it is now being conducted. Legacy is duly licensed or qualified and in good standing as a foreign corporation in all jurisdictions in which its ownership of property or the character of its activities is such as to require it to be so licensed or qualified, except where failure to be so licensed or qualified would not reasonably be expected to have a Material Adverse Effect on Legacy.

13.2 Due Authorization. Legacy has all requisite corporate power and authority to execute and deliver this Agreement and to perform all obligations to be performed by it hereunder. The execution and delivery of this Agreement and the consummation of the Contemplated Transactions have been duly and validly authorized and approved by the board of directors of Legacy, and no other corporate proceeding on the part of Legacy is necessary to authorize this Agreement. This Agreement has been duly and validly executed and delivered by Legacy, and this Agreement constitutes a legal, valid and binding obligation of Legacy, enforceable against Legacy in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

13.3 No Conflict. The execution and delivery of this Agreement by Legacy and the consummation of the Contemplated Transactions do not and will not violate any provision of, or result in the breach of any applicable law, the Articles of Incorporation, Bylaws or other organizational documents of Legacy, or any agreement, indenture or other instrument to which Legacy is a party or by which Legacy may be bound, or terminate or result in the termination of any such agreement, indenture or instrument, or result in the creation of any lien upon any of the properties or assets of Legacy or any Legacy Affiliate or constitute an event which, after notice or lapse of time or both, would result in any such violation, breach, termination or creation of a lien, except to the extent that the occurrence of the foregoing would not reasonably be expected to have (a) a Material Adverse Effect on the ability of Legacy to enter into and perform its obligations under this Agreement, or (b) a Material Adverse Effect on Legacy.

13.4 Litigation and Proceedings. There are no lawsuits, actions, suits, claims or other proceedings at law or in equity, or, to the knowledge of Legacy, investigations, pending before or by any Governmental Authority or, to the knowledge of Legacy, threatened, against Legacy which, if determined adversely, would reasonably be expected to have a Material Adverse Effect on the ability of Legacy to enter into and perform its obligations under this Agreement. There is no unsatisfied judgment or any open injunction binding upon Legacy which would reasonably be expected to have a Material Adverse Effect on the ability of Legacy to enter into and perform its obligations under this Agreement.

13.5 Compliance with Laws. There is no Action presently pending against, or to the Knowledge of Legacy, threatened against or affecting, Legacy or any of its properties before any arbitrator or any Governmental Authority that could reasonably be expected to have a Material Adverse Effect on the ability of Legacy to enter into and perform its obligations under this Agreement. There is no Action presently pending against, or to the Knowledge of Legacy, threatened against or affecting, Legacy or any of its officers or directors which in any manner challenges or seeks to prevent, enjoin, alter or delay the Contemplated Transactions. Legacy is not subject to (i) any continuing order of, consent decree, settlement agreement or other similar

written agreement with any Governmental Authority, or (ii) any judgment, order, writ, injunction, decree or award of any Governmental Authority or arbitrator, which could reasonably be expected to have a Material Adverse Effect on the ability of Legacy to enter into and perform its obligations under this Agreement.

13.6 Medicare and Medicaid Participation. Legacy represents and warrants that it is eligible to participate in Medicare and Oregon's Medicaid program. Legacy further warrants that neither Legacy nor any of its employees have been listed by any federal or state entity as excluded, debarred, suspended, or otherwise ineligible to participate in federal and/or state health care programs.

13.7 Financial Ability. Legacy has, and will have at the Closing and at the time of each Additional Contribution, cash on hand and/or undrawn amounts available under existing credit facilities necessary to consummate the Closing Contribution or an Additional Contribution, as applicable. Legacy has not incurred any obligation, commitment, restriction or liability of any kind, and is not contemplating or aware of any obligation, commitment, restriction or liability of any kind, in either case which would impair or adversely affect its ability to make the Closing Contribution and at the time an Additional Contribution is due, the Additional Contribution.

13.8 Solvency. Legacy is not entering into this Agreement or the Contemplated Transactions with the actual intent to hinder, delay or defraud either present or future creditors. Assuming that the representations and warranties of PacificSource and the PacificSource Affiliates that are Parties to this Agreement contained in this Agreement are true and correct in all material respects, and after giving effect to the Contemplated Transactions, at and immediately after the Closing and until the last Additional Contribution is made, Legacy and the Legacy Affiliates (i) will be solvent (in that both the fair value of its assets will not be less than the sum of its debts and that the present fair saleable value of its assets will not be less than the amount required to pay its probable liability on its recourse debts as they mature or become due); (ii) will have adequate capital and liquidity with which to engage in its businesses; and (iii) will not have incurred and does not plan to incur debts beyond its ability to pay as they mature or become due.

13.9 Absence of Certain Changes. From December 31, 2014, none of the following have occurred, except where such occurrence could not reasonably be expected to have a Material Adverse Effect on Legacy's ability to make the Legacy Contribution to Capital:

(a) there has not been any material damage, destruction or loss (whether or not covered by insurance) to Legacy's property; or

(b) there has not been any adoption of any liquidation or dissolution or filing of a petition in bankruptcy under any provisions of federal or state bankruptcy law or consent to the filing of any bankruptcy petition against it under any similar laws by Legacy.

13.10 No Outside Reliance. Notwithstanding anything contained in this Section 13 or any other provision hereof, Legacy acknowledges and agrees that neither PacificSource nor any of the PacificSource Affiliates that are Parties to this Agreement, nor their

agents or representatives is making any representation or warranty whatsoever, express or implied, beyond those expressly given in Section 11. Without limiting the generality of the foregoing, it is understood that any cost estimates, financial or other projections or other predictions that may be contained or referred to in the Schedules hereto or elsewhere, as well as any information, documents or other materials (including any such materials contained in any “data room” or reviewed by Legacy) or management presentations that have been or shall hereafter be provided to Legacy or any of the Legacy Affiliates, or any Legacy agents or representatives, are not and will not be deemed to be representations or warranties of PacificSource or any PacificSource Affiliate, and no representation or warranty is made as to the accuracy or completeness of any of the foregoing except as may be expressly set forth in this Agreement.

13.11 Acquisition of Member Interest for Investment. Legacy has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its participation in the Contemplated Transactions. Without limiting Legacy’s rights under Section 8.3(I) above, Legacy confirms that PacificSource has given Legacy and Legacy’s agents the opportunity to ask questions of the officers and management employees of PacificSource and the PacificSource Affiliates as well as access to the documents, information and records of PacificSource and the PacificSource Affiliates and to acquire additional information about the business and financial condition of PacificSource and the PacificSource Affiliates, and Legacy confirms that it has made an independent investigation, analysis and evaluation of PacificSource and the PacificSource Affiliates and their respective properties, assets, business, financial condition, documents, information and records. Legacy is acquiring its 50% Member Interest in PacificSource for investment and in furtherance of its tax-exempt purposes and not with any present intention of selling such Member Interest. Legacy understands and agrees that such Member Interest may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of without compliance with all applicable federal, state, and local laws.

13.12 Legacy Financial Statements; Undisclosed Liabilities; Absence of Changes.

(a) The Legacy financial statements provided to PacificSource present fairly, in all material respects, the consolidated financial position and results of operations of Legacy and the Legacy Affiliates as of the dates and for the periods indicated in such financial statements, in conformity with GAAP.

(b) As of the date of this Agreement, to the knowledge of Legacy, there is no liability, debt or obligation of or claim against Legacy or any of the Legacy Affiliates of a type normally reflected or reserved for on a balance sheet prepared in accordance with GAAP, except for liabilities and obligations (i) reflected or reserved for on the Legacy financial statements provided to PacificSource or disclosed in the notes thereto, (ii) that have arisen since the date of the most recent balance sheet included with such financial statements in the ordinary course of the operation of business of Legacy and the Legacy Affiliates, (iii) disclosed in the Schedules hereto or (iv) which would not reasonably be expected to have a Material Adverse Effect on Legacy.

(c) From the date of the most recent balance sheet included in the Legacy financial statements provided to PacificSource to the date of this Agreement, (i) there has not been any Material Adverse Effect on Legacy, and (ii) Legacy and the Legacy Affiliates have, in all material respects, conducted their businesses and operated their properties in the ordinary course of business consistent with past practice.

14. Indemnification.

14.1 Representations and Warranties Insurance Policy.

(a) The Parties agree that PacificSource and Legacy shall use best efforts to procure a representations and warranties insurance policy (the “**R&W Policy**”), of which Legacy shall be the sole beneficiary, that shall cover any Damages to which Legacy is entitled to indemnification pursuant to Section 14.3(a). The issuer of and the terms of any such R&W Policy shall be subject to the reasonable approval of Legacy.

(b) The cost of the R&W Policy shall be paid solely by PacificSource.

(c) Neither PHA nor any PacificSource Entity shall permit any termination, amendment, modification or supplement to be made under the R&W Policy without Legacy’s explicit prior written consent. If the R&W Policy is terminated or modified in a manner adverse to Legacy for any reason, the Parties shall use their respective best efforts to arrange promptly to obtain an alternative policy from alternative sources on terms and conditions substantially similar to those set forth in the R&W Policy.

14.2 Survival.

(a) The representations of the PacificSource Entities in Section 11 and the representations of Legacy in Section 13 shall survive the Closing until the second (2nd) anniversary of the Closing Date; provided, that, (i) the representations and warranties set forth in Section 11.1 (Corporate Existence and Power), Section 11.2 (Corporate Authorization, Section 11.9 (Compliance with Laws), Section 11.11 (Regulatory Matters), Section 11.12 (Medicare and Medicaid Participation), Section 11.13 (Penalties Under Medicare/Medicaid Programs), Section 11.16 (Compliance), Section 11.22 (Employee Benefit Plans), Section 11.24 (Tax Matters), Section 13.1 (Corporate Existence and Power), Section 13.2 (Corporate Authorization), Section 13.5 (Compliance with Laws), and Section 13.6 (Medicare and Medicaid Participation) shall survive until the sixtieth (60th) day after the expiration of the respective statutes of limitation for claims applicable to the matters covered thereby. The representations and warranties set forth in this Section 14.2 are referred to as “**Fundamental Representations.**” The period from the Closing Date until the date upon which any representation or warranty contained herein terminates if any, is referred to herein as the “**Survival Period**” for such representation or warranty.

(b) No covenant or agreement contained herein to be performed prior to the Closing shall survive the Closing. Any covenant and agreement to be performed after the Closing shall survive the Closing indefinitely, except as otherwise provided herein.

(c) Indemnified Parties shall not be entitled to make any claim in respect of any representation or warranty after the expiration of its applicable Survival Period, except that any bona fide claim initiated by an Indemnified Party in accordance with the terms of this Agreement prior to the expiration of the applicable Survival Period shall survive until it is settled or resolved pursuant to this Agreement.

It is the express intent of the Parties that, if the applicable Survival Period for an item as contemplated by this Section 14.2 is shorter than the statute of limitations that would otherwise have been applicable to such item, then, by contract, the applicable statute of limitations with respect to such item shall be reduced to the shortened Survival Period contemplated by this Agreement. The Parties further acknowledge that the time periods set forth in this Section 14.2 for the assertion of claims under this Agreement are the result of arm's-length negotiation among the Parties and that they intend for the time periods to be enforced as agreed by the Parties.

14.3 Indemnification.

(a) Subject to Section 14.2, Section 14.9 and the other limitations set forth in this Agreement, PHA and the PacificSource Entities shall jointly and severally indemnify Legacy and its Affiliates, officers, directors and agents and their respective successors and permitted assigns against and agrees to hold each of them harmless from any and all Damages actually suffered by Legacy or any of its Affiliates arising out of (i) any misrepresentation or breach of any representation or warranty PHA, PacificSource and/or a PacificSource Affiliate has made in this Agreement, and (ii) any breach, violation or default by PHA, PacificSource and/or a PacificSource Affiliate of any covenant, agreement or obligation of PacificSource and/or such PacificSource Affiliate in this Agreement.

(b) Subject to Section 14.2, Section 14.9 and the other limitations set forth in this Agreement, Legacy shall indemnify and hold the PacificSource Entities and PHA harmless for any and all Damages to the extent attributable to (i) any breach of any representation or warranty Legacy has made in this Agreement or (ii) any breach, violation or default by Legacy of any covenant, agreement or obligation of Legacy in this Agreement.

14.4 Third Party Claim Procedures.

(a) The Party seeking indemnification under Section 14.3 (the “**Indemnified Party**”) agrees to give prompt notice in writing to the Party against whom indemnity is to be sought (the “**Indemnifying Party**”) of the assertion of any claim or the commencement of any suit, action or proceeding by any Third Party (“**Third Party Claim**”) in respect of which indemnity may be sought under such Section. Such notice shall set forth in reasonable detail such Third Party Claim and the basis for indemnification (taking into account the information then available to the Indemnified Party). The failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder, except (and then only) to the extent such failure shall have actually prejudiced the Indemnifying Party.

(b) The Indemnifying Party shall be entitled to participate in the defense of any Third Party Claim and, subject to the limitations set forth in this Section 14.4, shall be

entitled to control and appoint lead counsel (the identity of whom shall be subject to the consent of the Indemnified Party, which consent shall not be unreasonably withheld).

(c) If the Indemnifying Party shall assume the control of the defense of any Third Party Claim in accordance with the provisions of this Section 14.4, (i) the Indemnifying Party shall obtain the prior written consent of the Indemnified Party (which shall not be unreasonably withheld, conditioned or delayed) before entering into any settlement of such Third Party Claim if the Settlement does not release the Indemnified Party or its Affiliates from all Liabilities and obligations with respect to such Third Party Claim or the settlement imposes injunctive or other equitable relief against the Indemnified Party or any of its Affiliates and (ii) the Indemnified Party shall be entitled to participate in the defense of any Third Party Claim and to employ separate counsel of its choice for such purpose. The fees and expenses of such separate counsel shall be paid by the Indemnified Party.

(d) If the Indemnifying Party, within a reasonable time after receipt of notice relating to a Third Party Claim, chooses not to assume the control of the defense of any Third Party Claim in accordance with the provisions of this Section 14.4 or fails to defend the Third Party Claim actively and in good faith, then the Indemnified Party shall (upon further notice to the Indemnifying Party) have the right to undertake the defense of the Third Party Claim and shall obtain the prior written consent of the Indemnifying Party (which shall not be unreasonably withheld, conditioned or delayed) before entering into any settlement of such Third Party Claim if the settlement involves any Damages in respect of which indemnity may be sought under Section 14.3.

(e) Each Party shall cooperate, and cause their respective Affiliates to cooperate, in the defense or prosecution of any Third Party Claim and shall furnish or cause to be furnished such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials or appeals, as may be reasonably requested in connection therewith. Such cooperation shall include the retention and the provision of records and information which is reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder; provided, however, that the Indemnified Party and the Indemnifying Party shall use Commercially Reasonable Efforts to avoid production of confidential information (consistent with Applicable Law), and to cause all communications among employees, counsel and others representing any party to a Third Party Claim to be made so as to preserve any applicable attorney-client or work-product privileges.

14.5 Direct Claim Procedures. In the event an Indemnified Party has a claim for indemnity under Section 14.3 against an Indemnifying Party that does not involve a Third Party Claim, the Indemnified Party agrees to give prompt notice in writing of such claim to the Indemnifying Party. Such notice shall set forth in reasonable detail such claim and the basis for indemnification (taking into account the information then available to the Indemnified Party). The failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder, except (and then only) to the extent such failure shall have actually prejudiced the Indemnifying Party. If the Indemnifying Party disputes its indemnity obligation for any Damages with respect to such claim, the parties shall proceed in good faith to negotiate a

resolution of such dispute and, if not resolved through negotiations, such dispute may be submitted to a court of competent jurisdiction.

14.6 Calculation and Recovery of Damages.

(a) Recovery by Legacy. If Legacy is the Indemnified Party, then it shall seek to recover any Damages payable by an Indemnifying Party under Section 14.3 as follows:

(1) Legacy shall first use Commercially Reasonable Efforts (which for purposes of this Section 14.6(a) shall include the obligation to pursue an Action against the issuer(s) of the R&W Policy in the event coverage is denied and Legacy reasonably believes the issuer(s) have breached their obligations under the R&W Policy) to recover any Damages from the issuer of the R&W Policy, if any such policy is obtained;

(2) If the Damages are related to claims that involve (i) Fundamental Representations and either exceed the amount covered by the R&W Policy, are outside the scope/excluded from the R&W Policy, or an R&W Policy is not obtained, or (ii) an element of fraud, then Legacy may recover any such Damages from PHA, notwithstanding subsection (1) above, without any obligation to seek recovery of such Damages from the issuer of the R&W Policy, if (x) the subject matter of the claim underlying such Damages is excluded from the R&W Policy, or (y) if Legacy is denied coverage for such Damages under the R&W Policy (however, Legacy shall retain the right, notwithstanding the foregoing, to file a claim at any time against PHA in order to preserve its rights and avoid any applicable statute of limitations), up to a total recovery of Forty Two Million Five Hundred Thousand Dollars (\$42,500,000) from PHA in the aggregate; and

(3) if Legacy still has unrecovered Damages, despite seeking recovery from (i) the issuer of the R&W Policy as provided for under Section 14.6(a)(1) for the period starting on the date on which Legacy files a claim against the issuer of the R&W Policy for such Damages and ending on the date that is two (2) business days prior to the next date on which Legacy is required to make any Additional Contribution hereunder (the “**Waiting Period**”), and/or (ii) PHA pursuant to Sections 14.6(a)(2), as applicable, then Legacy may, at its discretion, reduce the amount of the Legacy Contribution to Capital by an amount equal to the amount of such unrecovered Damages.

(4) *Retrospective Reconciliations.* If Legacy elects to proceed with recovery of Damages under (i) subsection (2) above and/or (ii) subsection (3) above (after the Waiting Period has passed) and subsequently recovers Damages from the R&W Policy issuer(s), then Legacy agrees that it shall forthwith make whole PHA or PacificSource (whether by reimbursement of recovered Damages pursuant to Section 14.6(d) with respect to an excess recovery of damages under subsection (2) or additional capital contributions to PacificSource with respect to reductions in the Legacy Contribution to Capital in

excess of unrecovered Damages under subsection (3), as applicable), solely to the amount necessary in order to prevent any double recovery of Damages.

In the event that Legacy elects to reduce the amount of its Closing Contribution or its Additional Contributions pursuant to Section 14.6(a)(3), such reduction shall not be deemed to reduce the total amount of the Legacy Contribution to Capital for purposes of calculating Legacy's economic interests as a Member in PacificSource under the bylaws of PacificSource, the Member Agreement or any of the other Related Agreements.

(b) Limitations on Recovery by Legacy. For purposes of clarity and notwithstanding the foregoing, Legacy's total recovery of Damages shall be capped at an aggregate of One Hundred Million Dollars (\$100,000,000) as set forth in Section 14.8 below. Legacy's ability to recover Damages pursuant to Sections 14.6(a)(2) and 14.6(a)(3) is limited as follows:

(1) if Legacy's Damages arise from a breach of any representations and warranties of the PacificSource Entities or PHA other than Fundamental Representations, then Legacy must suffer a minimum of Ten Million Dollars (\$10,000,000) in cumulative Damages before it can seek recovery under Sections 14.6(a)(2) and/or 14.6(a)(3), after which such threshold is reached, Legacy may recover all Damages suffered up to the aggregate cap of One Hundred Million Dollars (\$100,000,000);

(2) if Legacy's Damages arise from a breach of any representations and warranties of the PacificSource Entities or PHA that are Fundamental Representations, then Legacy must suffer a minimum of Five Million Dollars (\$5,000,000) in cumulative Damages before it can seek recovery under Sections 14.6(a)(2) and/or 14.6(a)(3), after which such threshold is reached, Legacy may recover all Damages suffered up to the aggregate cap of One Hundred Million Dollars (\$100,000,000); and

(3) Notwithstanding anything to the contrary in subsections (1) and (2) above, if Legacy's Damages arise from claims involving an element of fraud, then Legacy may seek recovery of such Damages under Sections 14.6(a)(2) and/or 14.6(a)(3) without suffering any minimum amount of Damages.

(c) Limitations on Recovery by PacificSource. For purposes of clarity and notwithstanding the foregoing, the PacificSource Entities' and PHA's collective total recovery of Damages shall be capped at an aggregate of One Hundred Million Dollars (\$100,000,000) as set forth in Section 14.8 below. Additionally, the PacificSource Entities and PHA may not recover any Damages from Legacy under this Section 14.6(c) unless it has suffered at least Ten Million Dollars (\$10,000,000) in Damages in the aggregate that are not otherwise recovered by a PacificSource Entity or PHA as contemplated by Section 14.6(d).

(d) The amount of any Damages payable by an Indemnifying Party under Section 14.3 shall be net of any amounts recovered by the Indemnified Party under applicable insurance policies or from any other Person alleged to be responsible therefor. If the

Indemnified Party receives any amounts under applicable insurance policies, or from any other Person alleged to be responsible for any Damages subsequent to an indemnification payment by the Indemnifying Party, then such Indemnified Party shall promptly reimburse the Indemnifying Party for any payment made or expense incurred by such Indemnifying Party in connection with providing such indemnification payment up to the amount received by the Indemnified Party (so long as the Indemnified Party is first made whole for all Damages), net of any expenses incurred by such Indemnified Party in collecting such amount. Each Indemnified Party shall use reasonable efforts to collect any amounts available under insurance coverage, or from any other Person alleged to be responsible, for any Damages payable under Section 14.3.

(e) Each Indemnified Party must mitigate in accordance with Applicable Law any loss for which such Indemnified Party seeks indemnification under this Agreement.

(f) The indemnification obligations hereunder of Legacy, on the one hand, and PacificSource, on the other hand, are independent of the indemnification obligations of the other hereunder and shall not be subject to any right of offset, counterclaim, or deduction.

(g) Notwithstanding anything in this Section 14, each Party shall be free to pursue any remedies that it is entitled to under Applicable Law, including but not limited to injunctive and provisional relief.

(h) The Parties acknowledge and agree that, except with respect to claims for fraud or intentional misconduct, Damages exclude consequential, punitive, special, incidental and indirect damages, including business interruption, loss of future revenue, diminution in value, profits or income or loss of business opportunity; provided, that, nothing in this Section 14.6(h) shall preclude any recovery by an Indemnified Party against an Indemnifying Party for (i) Third Party Claims or (ii) in the case of damages for consequential, special and incidental damages, such damages directly related to the matter giving rise to Damages for which indemnification is sought hereunder and not speculative or contingent in character.

14.7 Materiality. For the purpose of determining indemnification rights hereunder, including the existence of a breach or the amount of Damages resulting therefrom, any inaccuracy in or breach of any representation or warranty shall be determined without regard to any materiality, Material Adverse Effect or other similar qualification contained in or otherwise applicable to such representation or warranty.

14.8 Limitations on Indemnification Liability. Notwithstanding any provision hereof to the contrary, the aggregate amount of Damages for which Legacy on the one hand or PHA and the PacificSource Entities on the other shall be entitled to indemnification pursuant to this Section 14 will not exceed One Hundred Million Dollars (\$100,000,000).

14.9 Assignment of Claims. If any Indemnified Party receives any indemnification payment pursuant to this Section 14, at the election of the Indemnifying Party, such Indemnified Party shall assign to the Indemnifying Party all of its claims for recovery against third persons as to such Damages, whether by insurance coverage, contribution claims, subrogation or otherwise.

14.10 Claims Unaffected by Investigation.

(a) Notwithstanding any provision contained herein to the contrary, except as set forth in Section 14.10(b) or Section 14.10(c) below, the right of an Indemnified Party to indemnification or to assert or recover on any claim shall not be affected by any investigation conducted with respect to, or any information received or knowledge acquired (or capable of being received or acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy of or compliance with any of the representations, warranties, covenants, or agreements set forth in this Agreement. The waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or agreement, shall not affect the right to indemnification or other remedy based on such representations, warranties, covenants or agreements.

(b) If, in the Knowledge of Legacy, excluding any requirement for due inquiry contained in the definition of “Knowledge of Legacy” under this Agreement, there is information received by Legacy prior to Closing that could evidence a breach of the representations and warranties of PHA and/or the PacificSource Entities prior to Closing, then it shall send PacificSource a written notice of such discovery which shall detail the specific matters which Legacy believes constitutes a breach. Legacy may not bring a claim post-Closing for Damages against PHA solely with respect to any Damages it suffers that arise from the specific matters identified in any such notice. Legacy’s right to make a claim for Damages arising from or related to matters not specifically identified in such notice shall in no way be waived or diminished by delivery of such notice to PacificSource. Such notice shall in no way diminish or waive Legacy’s right to terminate the Agreement prior to Closing or make a claim for Damages related to such termination.

(c) If, in the Knowledge of the PacificSource Entities, excluding any requirement for due inquiry contained in the definition of “Knowledge of the PacificSource Entities” under this Agreement, there is information received by a PacificSource Entity prior to Closing that could evidence a breach of the representations and warranties of Legacy prior to Closing, then PacificSource shall send Legacy a written notice of such discovery which shall detail the specific matters which Legacy believes constitutes a breach. PHA and the PacificSource Entities may not bring a claim post-Closing for Damages against Legacy solely with respect to any Damages PHA and the PacificSource Entities suffer that arise from the specific matters identified in any such notice. PHA’s and PacificSource’s right to make a claim for Damages arising from or related to matters not specifically identified in such notice shall in no way be waived or diminished by delivery of such notice to Legacy. Such notice shall in no way diminish or waive PHA’s or PacificSource’s right to terminate the Agreement prior to Closing or to make a claim for Damages related to such termination.

15. Miscellaneous Provisions.

15.1 Construction.

(a) Unless the context of this Agreement otherwise requires, (i) words of any gender include each other gender; (ii) words using the singular or plural number also include the plural or singular number, respectively; (iii) the terms “hereof,” “herein,” “hereby,” “hereto” and derivative or similar words refer to this entire Agreement; (iv) the term “Section” refers to the

specified Section of this Agreement; (v) the word “including” shall mean “including, without limitation” and (vi) the word “or” shall be disjunctive but not exclusive.

(b) References to agreements and other documents shall be deemed to include all subsequent amendments and other modifications thereto.

(c) References to statutes shall include all regulations promulgated thereunder and references to statutes or regulations shall be construed as including all statutory and regulatory provisions consolidating, amending or replacing the statute or regulation.

(d) The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent and no rule of strict construction shall be applied against any Party.

(e) Whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified.

(f) All accounting terms used herein and not expressly defined herein shall have the meanings given to them under GAAP.

15.2 Survival of Covenants. Except as otherwise expressly provided in this Agreement, the covenants of the Parties set forth in this Agreement shall survive the Closing.

15.3 Notices. All notices and other communications among the Parties shall be in writing and shall be deemed to have been duly given (i) when delivered in person, (ii) three days after posting in the United States mail having been sent registered or certified mail, return receipt requested, (iii) when delivered by nationally recognized overnight delivery service, or (iv) when delivered by facsimile transmission with confirmation of successful transmission received by the sender, addressed as follows:

If to PacificSource and/or a PacificSource Affiliate, to:

PacificSource
110 International Way
Springfield, OR 97477
Attention: Kenneth P. Provencher, President and CEO
Facsimile: (541) 684-5575

with a copy to:

Dunn Carney Allen Higgins & Tongue LLP
851 SW Sixth Avenue
Suite 1500
Portland, Oregon 92704
Attention: I. Kenneth Davis, Esq.
Facsimile: (503) 224-7324

If to Legacy, to:

Legacy Health
1919 NW Lovejoy Street
Portland, OR 97209
Attention: George J. Brown, M.D., President and CEO
Facsimile: (503) 503-415-5025

with a copy to:

Sheppard, Mullin, Richter & Hampton LLP
1901 Avenue of the Stars, Suite 1600
Los Angeles, CA 90067
Attention: Eric Klein, Esq.
Facsimile: (310) 228-3988

or to such other address or addresses as the Parties may from time to time designate in writing.

15.4 Assignment; Binding Effect. No Party hereto shall assign this Agreement or any part hereof without the prior written consent of the other Parties. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective permitted successors and assigns.

15.5 Expenses. Each Party hereto shall bear its own expenses incurred in connection with this Agreement and the Contemplated Transactions whether or not such transactions shall be consummated, including all fees of its legal counsel, financial advisers and accountants.

15.6 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Oregon, regardless of the laws that might otherwise govern under applicable principles of conflicts of law.

15.7 Headings. The headings in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement.

15.8 Schedules and Exhibits. The Schedules and Exhibits referenced herein are a part of this Agreement as if fully set forth herein. All references herein to Schedules and Exhibits shall be deemed references to such parts of this Agreement, unless the context shall otherwise require. Any disclosure made by a Party in the Schedules with reference to any section or schedule of this Agreement shall be deemed to be a disclosure with respect to all other sections or schedules to which such disclosure may apply. Certain information set forth in the Schedules may be included solely for informational purposes and not required to be disclosed pursuant to this Agreement. The disclosure of any information shall not be deemed to constitute an acknowledgment that such information is required to be disclosed in connection with the representations and warranties made in this Agreement, nor shall such information be deemed to establish a standard of materiality.

15.9 Entire Agreement. This Agreement (together with the Schedules and Exhibits to this Agreement), that certain Confidentiality and Nondisclosure Agreement dated as of December 2, 2014 (the “**Confidentiality Agreement**”), and that certain Mutual Exclusivity Agreement dated June 24, 2015 (the “**Mutual Exclusivity Agreement**”), between PacificSource or a PacificSource Affiliate and Legacy, constitute the entire agreement among the Parties relating to the Contemplated Transactions and supersede any other agreements, whether written or oral, that may have been made or entered into by or among any of the Parties relating to the Contemplated Transactions. No representations, warranties, covenants, understandings, agreements, oral or otherwise, relating to the Contemplated Transactions exist between the Parties except as expressly set forth in this Agreement, the Confidentiality Agreement, and the Mutual Exclusivity Agreement.

15.10 No Waiver; Cumulative Remedies. Except as specifically set forth herein, the rights and remedies of the Parties are cumulative and not alternative. No failure or delay on the part of any Party in exercising any right, power or remedy under this Agreement will operate as a waiver of such right, power or remedy, and no single or partial exercise of any such right, power or remedy will preclude any other or further exercise of such right, power or remedy or the exercise of any other right, power or remedy. To the maximum extent permitted by applicable law, (a) no claim or right arising out of this Agreement can be discharged by one Party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other Party; (b) no waiver that may be given by a Party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one Party will be deemed to be a waiver of any obligation of that Party or of the right of the Party giving such notice or demand to take further action without notice or demand as provided in this Agreement.

15.11 Amendments. This Agreement may be amended or modified in whole or in part, only by a duly authorized agreement in writing executed in the same manner as this Agreement and which makes reference to this Agreement.

15.12 Publicity. All press releases or other public communications of any nature whatsoever relating to the Contemplated Transactions, and the method of the release for publication thereof, shall be subject to the prior mutual approval of PacificSource, Legacy and PHA (once formed), which approval shall not be unreasonably withheld by any Party.

15.13 Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement shall remain in full force and effect. The Parties further agree that if any provision contained herein is, to any extent, held invalid or unenforceable in any respect under the laws governing this Agreement, they shall take any actions necessary to render the remaining provisions of this Agreement valid and enforceable to the fullest extent permitted by law and, to the extent necessary, shall amend or otherwise modify this Agreement to replace any provision contained herein that is held invalid or unenforceable with a valid and enforceable provision giving effect to the intent of the Parties.

15.14 Jurisdiction. Any proceeding or action arising out of or relating to this Agreement or the Contemplated Transactions may be brought in any state or federal court having subject matter jurisdiction and located in Multnomah County or Lane County in the State of

Oregon. Each of the Parties irrevocably submits to the exclusive jurisdiction of each such court in any such proceeding or action, waives any objection it may now or hereafter have to personal jurisdiction, venue or to convenience of forum, agrees that all claims in respect of the proceeding or action shall be heard and determined only in any such court, and agrees not to bring any proceeding or action arising out of or relating to this Agreement or the Contemplated Transactions in any other court. Nothing herein contained shall be deemed to affect the right of any Party to serve process in any manner permitted by law or to commence legal proceedings or otherwise proceed against any other Party in any other jurisdiction, in each case, to enforce judgments obtained in any action, suit or proceeding brought pursuant to this Section 15.14.

15.15 Attorneys' Fees. If any Action for the enforcement of this Agreement is brought, or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions hereof, the successful or prevailing Party shall be entitled to recover reasonable attorneys' fees and other costs incurred in that proceeding, in addition to any other relief to which it may be entitled.

15.16 Expenses. Except as otherwise provided herein, each Party will pay all costs and expenses incident to its negotiation and preparation of this Agreement and to its performance and compliance with all agreements and conditions contained herein on its part to be performed or complied with, including the fees, expenses and disbursements of its counsel, accountants, advisors and consultants.

15.17 Further Assurances. Each Party shall execute such documents and other papers and take such further actions as may be reasonably required or desirable to carry out the provisions hereof and the Contemplated Transactions.

15.18 Third Party Beneficiaries. No provision of this Agreement is intended to confer any rights, benefits, remedies, obligations, or liabilities hereunder upon any Person other than the parties hereto and their respective successors and assigns.

15.19 Specific Performance. The Parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions hereof, in addition to any other remedy to which they are entitled at law or in equity.

15.20 No Rescission. No Party shall be entitled to rescind the Contemplated Transactions hereby by virtue of any failure of any Party's representations and warranties herein to have been true or any failure by any Party to perform its obligations hereunder. Notwithstanding the foregoing, nothing shall impair all rights and remedies pursuant to, or preserved by, Section 14 of this Agreement.

15.21 Counterparts; Facsimile Signatures. This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. The Parties agree that for purposes of this Agreement and the other documents, agreements, and certificates to be executed in connection with the Contemplated Transactions, delivery via facsimile or other electronic

transmission of an executed signature page to this Agreement or such other document, agreement or certificate shall be as effective as delivery of a “wet ink” signature page to this Agreement or such other document, agreement or certificate.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed effective the date first written above.

PACIFICSOURCE:

PACIFICSOURCE

By: _____
Kenneth P. Provencher
President and CEO

LEGACY:

LEGACY HEALTH

By: _____
George J. Brown, M.D., FACP
President and Chief Executive Officer

PACIFICSOURCE AFFILIATES:

PACIFICSOURCE HEALTH PLANS

By: _____
Kenneth P. Provencher
President and CEO

PACIFIC HEALTH ASSOCIATES

PACIFIC HEALTH ASSOCIATES

By: _____
Charles R. Zachem III, D.O.
President

PACIFICSOURCE COMMUNITY HEALTH
PLANS

By: _____
Kenneth P. Provencher
President and CEO

PACIFICSOURCE COMMUNITY
SOLUTIONS, INC.

By: _____
Kenneth P. Provencher
President and CEO

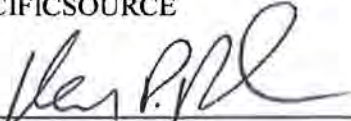
PACIFICSOURCE ADMINISTRATORS,
INC.

By: _____
Kenneth P. Provencher
President and CEO

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed effective the date first written above.

PACIFICSOURCE:

PACIFICSOURCE

By: 
Kenneth P. Provencher
President and CEO

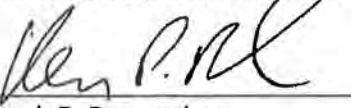
LEGACY:

LEGACY HEALTH

By: _____
George J. Brown, M.D., FACP
President and Chief Executive Officer

PACIFICSOURCE AFFILIATES:

PACIFICSOURCE HEALTH PLANS

By: 
Kenneth P. Provencher
President and CEO

PACIFIC HEALTH ASSOCIATES

PACIFIC HEALTH ASSOCIATES

By: 
Charles R. Zachem III, D.O.
President

PACIFICSOURCE COMMUNITY HEALTH PLANS

By: 
Kenneth P. Provencher
President and CEO

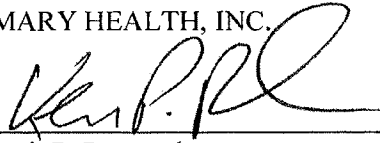
PACIFICSOURCE COMMUNITY SOLUTIONS, INC.

By: 
Kenneth P. Provencher
President and CEO

PACIFICSOURCE ADMINISTRATORS, INC.

By: 
Kenneth P. Provencher
President and CEO

PRIMARY HEALTH, INC.

By: 

Kenneth P. Provencher
President and CEO

[Signature Pages to Member Interest Acquisition Agreement]

**RESTATED ARTICLES OF INCORPORATION
OF
PACIFICSOURCE**

Pursuant to Section 65.451 of the Oregon Revised Statutes (“**ORS**”), the undersigned hereby submits for filing the following Restated Articles of Incorporation of PacificSource, a corporation organized under the Oregon Nonprofit Corporation Act, ORS Chapter 65:

ARTICLE I

The name of this corporation (the “**Corporation**”) is PacificSource. The duration of the Corporation shall be perpetual.

ARTICLE II

The Corporation is a public benefit corporation.

ARTICLE III

The purposes for which the Corporation is organized are: (i) to provide management, administrative and other services to owned and affiliated health care service contractors, health insurance companies and providers of other health related services; (ii) directly and/or through the activities of subsidiary and affiliated companies, to engage in community health promotion and improvement activities, including, without limitation, the development of new care models and strategies for the improvement of the population’s health; (iii) to benefit, support and further the nonprofit purposes of its members through the issuance of distributions to its members in accordance with the Oregon Nonprofit Corporation Act; (iv) to benefit, support and further the charitable, scientific and educational purposes of any of its members that are exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding statutory provisions of any future successor United States internal revenue laws, including, without limitation, through the making of charitable contributions and grants to such members; and (v) to engage in any other lawful activity for which corporations may be organized under the Oregon Nonprofit Corporation Act.

ARTICLE IV

The Corporation shall have one or more members. All members of the Corporation must (i) be an Oregon nonprofit public benefit corporation, or a foreign nonprofit corporation which, if incorporated in Oregon, would qualify as a nonprofit public benefit corporation, and (ii) be permitted under ORS Chapter 65 to receive distributions from the Corporation. The procedure for admission of members, and the rights and obligations of members, shall be set forth in the Corporation’s bylaws. The directors of the Corporation shall be elected by the Corporation’s members in accordance with the Corporation’s bylaws. In addition to any consent of the Corporation’s members otherwise required by ORS Chapter 65 or the Corporation’s bylaws, the following shall require the consent of all of the Corporation’s members: (1) any amendment to the articles of incorporation or bylaws of the Corporation, and (2) the voluntary dissolution of the Corporation.

ARTICLE V

In the event of the winding up and dissolution of the Corporation, after payment, or making adequate provision for payment, of all debts and obligations of the Corporation, all remaining assets of the Corporation shall be distributed to the Corporation's members in accordance with the Corporation's bylaws.

ARTICLE VI

No director or uncompensated officer shall be personally liable to the Corporation for monetary damage for conduct as a director or officer unless the Oregon Nonprofit Corporation Act prohibits eliminating or limiting the liability of a director or officer for the particular act or omission.

DATED: _____, 2016

_____, Secretary

BYLAWS

OF

PACIFICSOURCE

an Oregon Nonprofit Public Benefit Corporation

(As amended and restated on _____, 2016)

TABLE OF CONTENTS

ARTICLE 1. OFFICES 1

 1.1 Business Office. 1

 1.2 Registered Office..... 1

ARTICLE 2. PURPOSES 1

 2.1 Purposes. 1

ARTICLE 3. BOARD 1

 3.1 General Powers. 1

 3.2 Number and Tenure of directors. 1

 3.3 Annual Meeting. 2

 3.4 Regular Meetings of the Board. 2

 3.5 Special Meetings of the Board. 2

 3.6 Notice of, and Waiver of Notice for, Special directors’ Meetings..... 2

 3.7 Directors’ Quorum. 3

 3.8 Directors, Manner of Acting. 3

 3.9 Directors’ Action Without a Meeting..... 3

 3.10 Removal of Directors. 4

 3.11 Board Vacancies. 4

ARTICLE 4. OFFICERS..... 4

 4.1 Number of Officers. 4

 4.2 Appointment and Term of Office..... 4

 4.3 Removal of Officers/Vacancies. 4

 4.4 Chair. 4

 4.5 President. 4

 4.6 Executive Vice President. 4

 4.7 The Secretary..... 4

 4.8 Other Offices. 5

 4.9 Salary of President. 5

ARTICLE 5. SOLE MEMBER 5

 5.1 Membership..... 5

 5.2 Election of Directors. 5

 5.3 Distributions to the Sole Member. 5

ARTICLE 6. COMMITTEES 5

 6.1 Committees..... 5

 6.2 Composition of Committees Exercising Board Functions..... 5

 6.3 Quorum and Actions. 6

 6.4 Limitations on the Powers of Committees. 6

ARTICLE 7. INDEMNIFICATION OF DIRECTORS AND OFFICERS..... 6

 7.1 Indemnification of Directors and Officers. 6

ARTICLE 8. AMENDMENTS 6

 8.1 Amendments..... 6

BYLAWS
OF
PACIFICSOURCE
an Oregon Non-Profit Public Benefit Corporation
(As amended and restated on _____, 2016)

ARTICLE 1. OFFICES

1.1 Business Office. The principal office of the corporation shall be located at any place within the state of Oregon as designated in the corporation's most current Annual Report filed with the Oregon Secretary of State. The corporation may have such other offices, either within or without the state of Oregon, as the Board of Directors of the corporation (the "**Board**") may designate or as the business of the corporation may require from time to time.

1.2 Registered Office. The registered office of the corporation shall be located within Oregon and may be, but need not be, identical with the principal office. The address of the registered office may be changed from time to time.

ARTICLE 2. PURPOSES

2.1 Purposes. The purposes for which the corporation is organized are, by itself or through the activities of subsidiary and affiliated companies, to engage in community health promotion and improvement activities; to provide management, administrative and other services to owned and affiliated health care service contractors, health insurance companies, and providers of other health-related services; and to engage in any other lawful activity for which corporations may be organized under the Oregon Nonprofit Corporation Act.

ARTICLE 3. BOARD

3.1 General Powers. All corporate powers shall be exercised by, or under the authority of, the Board and the business and affairs of the corporation shall be managed under the direction of the Board.

3.2 Number and Tenure of directors. The Board shall consist of thirteen (13) members, six (6) of whom shall be licensed physicians and/or surgeons, including oral surgeons, and seven (7) of whom shall be representatives of the public (Public Members). All members of the Board shall be elected by the corporation's sole member (the "**Sole Member**"). Except as otherwise provided in this Section 3.2, each director shall be elected for a term of five (5) years. Directors may serve no more than two (2) consecutive five-year terms. The President and an immediate past Chair of the Board whose term as a director has expired shall be ex-officio members of the Board.

The directors shall be divided into five classes, as nearly equal in number as possible, with the term of the office of the first class ("**Class I**") to expire at the first Annual Meeting (as defined in Section 3.3 below) after the classification, the term of office of the second class ("**Class II**") to

expire at the second Annual Meeting after the classification, the term of office of the third class (“**Class III**”) to expire at the third Annual Meeting after the classification, the term of office of the fourth class (“**Class IV**”) to expire at the fourth Annual Meeting after the classification, and the term of office of the fifth class (“**Class V**”) to expire at the fifth Annual Meeting after the classification. At each Annual Meeting after such classification and election, directors elected to succeed those directors whose terms expire shall be elected to serve five-year terms and until their successors are elected and qualified, so that the term of one class of directors will expire each year. If the number of directors is changed by amendment to these Bylaws, any newly created directorships, or any decrease in directorships, shall be so apportioned among the classes as to make all classes as nearly equal as possible, provided that no decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

3.3 Annual Meeting. An annual meeting of the Board (each an “**Annual Meeting**”) shall be held each year, on the date and at such time as the Board shall designate, for the purpose of installing new directors and transacting such business as may come before the meeting. If the day fixed for the Annual Meeting shall be a legal holiday in the state of Oregon, such meeting shall be held on the next succeeding business day.

3.4 Regular Meetings of the Board. Regular meetings of the Board in addition to the Annual Meeting shall be held at the time and place to be determined by the Board. No other notice of the date, time, place, or purpose of these meetings is required.

3.5 Special Meetings of the Board. Special meetings of the Board may be called by or at the request of the President, the Chair of the Board, or any three directors. Notice of such meetings, describing the date, time, place, and purpose of the meeting, shall be delivered to each director as provided in Section 3.6 below.

3.6 Notice of, and Waiver of Notice for, Special directors’ Meetings. Notice of any special directors’ meeting shall be given at least two days before the meeting either orally or in writing. If mailed, notice of any director meeting shall be deemed to be effective at the earlier of:

- (a) When received;
- (b) Three days after deposited in the United States mail, addressed to the director’s business office, with postage thereon prepaid; or
- (c) The date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the director.

If sent by electronic mail during normal business hours, notice of any director meeting shall be deemed effective when submitted to the Internet service provider of the director at the last electronic email address provided by the director to the corporation, with no notification from such Internet service provider that the notice is undeliverable (an “**undeliverable notice**”). If sent by electronic mail to such electronic mail address after normal business hours, notice shall be deemed effective the next business day, provided no undeliverable notice is received.

Any director may at any time waive notice of any meeting. Except as provided in the next sentence, the waiver must be in writing, signed by the director entitled to the notice, and filed with the minutes or corporate records. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business and at the beginning of the meeting or promptly upon the director's arrival objects to holding the meeting or transacting business at the meeting, and does not thereafter vote for or assent to action taken at the meeting.

3.7 Directors' Quorum. A majority of the number of directors in office immediately before the meeting begins shall constitute a quorum for the transaction of business at any meeting of the Board, unless the Articles of Incorporation of the corporation (the "**Articles of Incorporation**") or these Bylaws require a greater number.

3.8 Directors, Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present when the vote is taken shall be the act of the Board. Where the law requires a majority vote of the directors in office to establish committees to exercise Board functions, to amend the Articles of Incorporation, to sell assets not in the regular course of business, to merge, to dissolve, or for other matters, such action shall be taken by that majority as required by law.

Unless the Articles of Incorporation provide otherwise, any or all directors may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

A director who is present at a meeting of the Board or a committee of the Board when corporate action is taken is deemed to have assented to the action taken unless:

- (a) The director objects at the beginning of the meeting or promptly upon the director's arrival to holding it or transacting business at the meeting;
- (b) The director's dissent or abstention from the action taken is entered in the minutes of the meeting; or
- (c) The director delivers written notice of the director's dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation immediately after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

3.9 Directors' Action Without a Meeting. Any action required or permitted by law to be taken by the Board at a meeting may be taken without a meeting if all the directors take the action, each one signs a written consent describing the action taken, and the consents are filed with the records of the corporation. Action taken by consent is effective when the last director signs the consent, unless the consent specifies a different effective date. A signed consent has the effect of a meeting vote and may be so described in any document.

3.10 Removal of Directors. Any director may be removed, with or without cause, by the Sole Member or by a vote of two-thirds of the directors then in office.

3.11 Board Vacancies. Vacancies on the Board and newly created board positions will be filled by the Sole Member.

ARTICLE 4. OFFICERS

4.1 Number of Officers. The officers of the corporation shall be a Chair, who shall be a director; a President; Executive Vice Presidents, at the option of the Board; and a Secretary, each of whom shall be appointed by the Board. Such other officers and assistant officers as may be deemed necessary may be appointed by the Board. If specifically authorized by the Board, an officer may appoint one or more officers or assistant officers. The same individual may simultaneously hold more than one office in the corporation.

4.2 Appointment and Term of Office. The Chair of the corporation shall be appointed by the Board for a term of two years and the other officers of the corporation shall be appointed by the Board for a term of one year. An officer may be elected without limitation on the number of terms the officer may serve. The board may remove an officer at any time prior to the expiration of his or her term; provided, however, that such removal shall not affect any contract rights such officer may have under any employment agreement with the corporation.

4.3 Removal of Officers/Vacancies. Any officer or agent may be removed by the Board at any time, with or without cause. A vacancy in the office of President or Secretary shall be filled not later than the first regular meeting of the Board following the vacancy.

4.4 Chair. The Chair shall preside at all meetings of the Board. The Chair shall certify who has been elected by the Sole Member as directors.

4.5 President. The President shall be the principal executive officer of the corporation and, subject to the control of the Board, shall in general supervise and control all of the business and affairs of the corporation. The President may sign mortgages, bonds, contracts, or other instruments that the Board has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time. The President may also be referred to as the corporation's Chief Executive Officer or CEO or as the corporation's President and Chief Executive Officer or President and CEO.

4.6 Executive Vice President. If elected, in the absence of the President or in the event of the President's death, inability, or refusal to act, and unless the Board designates another individual, the Executive Vice President (or if there is more than one, the Executive Vice President selected by the Board) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

4.7 The Secretary. The Secretary:

(a) Shall keep the minutes of the proceedings of the Board in one or more books provided for that purpose;

(b) Shall see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law;

(c) Shall be custodian of the corporate records;

(d) When requested or required, shall authenticate any records of the corporation; and

(e) In general shall perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or by the Board.

4.8 Other Offices. The Board may elect or appoint other officers and agents as it shall deem necessary and desirable. They shall hold their offices for such terms and have such authority and perform such duties as shall be determined by the Board.

4.9 Salary of President. The salary of the President shall be fixed from time to time by the Board.

ARTICLE 5. SOLE MEMBER

5.1 Membership. The corporation shall have a single member, Pacific Health Associates, an Oregon nonprofit public benefit corporation (again, the “**Sole Member**”).

5.2 Election of Directors. The Sole Member shall elect the directors of the corporation, as provided in ARTICLE 3 of these Bylaws, the election of directors whose term is expiring in a given year to occur before the Annual Meeting for that year, with the results reported to the Chairman and the President before such Annual Meeting.

5.3 Distributions to the Sole Member. The Board shall have the authority to make distributions of assets of the corporation to the Sole Member before any dissolution of the corporation. Upon dissolution of the corporation, after payment, or making adequate provision for payment, of all debts and obligations of the corporation, all remaining assets of the corporation shall be distributed to the Sole Member

ARTICLE 6. COMMITTEES

6.1 Committees. The Board may establish such committees as it deems necessary and desirable. Such committees may exercise functions of the Board or may be advisory committees.

6.2 Composition of Committees Exercising Board Functions. Any committee that exercises any function of the Board shall be composed of two (2) or more directors, appointed by the Chair.

6.3 Quorum and Actions. A quorum at a committee meeting exercising Board functions shall be a majority of all committee members in office immediately before the meeting begins. If a quorum is present, action is taken by a majority vote of directors present.

6.4 Limitations on the Powers of Committees. No committee may finally determine (as opposed to recommend) the amount of compensation to be paid to the President; approve the dissolution or merger of the corporation, or the sale, pledge or transfer of all or substantially all of the corporation's assets; elect, appoint, or remove directors or fill vacancies on the Board or on any of its committees; or adopt, amend, or repeal the Articles of Incorporation, Bylaws, or any resolution by the Board.

ARTICLE 7. INDEMNIFICATION OF DIRECTORS AND OFFICERS

7.1 Indemnification of Directors and Officers. Subject to the provisions of ORS 65.387 to and including ORS 65.414, any director or officer, or former director or officer, or each person on or having served on a committee of the corporation or any medical adviser, past or present, retained by the corporation on a full or part-time basis and their heirs, executors and administrators, shall be indemnified and held harmless by the corporation from any and all costs and expenses which may be imposed upon or reasonably incurred by him/her in connection with or resulting from any claim, action, suit or proceeding in which he/she may be involved by reason of his/her being or having been a director, officer, committee member, or medical adviser of the corporation. As used herein, the term costs and expenses include but are not limited to attorney fees, court costs and amounts of judgments against and amounts paid in settlement by such director, officer, committee member or medical adviser, other than the amounts paid by the corporation itself. It is the intention of this provision to recognize the responsibility inherent in being a director, officer, committee member or medical adviser of the corporation, and by means of the foregoing provision to protect and indemnify the individual who has held, is holding or will hold such positions or any of them against any personal liability for his/her actions unless such actions involve dishonesty.

ARTICLE 8. AMENDMENTS

8.1 Amendments. These Bylaws may be amended or repealed, and new Bylaws adopted, only by (a) approval of the Board by a vote of three-fourths of the directors then in office, and (b) approval of the Sole Member. Prior to the adoption by the Board of the amendment or replacement of these Bylaws, each director shall be given at least two (2) days' notice of the date, time, and place of the meeting at which the proposed amendment or replacement is to be considered, and the notice shall state that one of the purposes of the meeting is to consider a proposed amendment to or replacement of the Bylaws and shall contain a copy of the proposed amendment or replacement.

[SIGNATURE PAGE FOLLOWS]

The foregoing Bylaws were duly adopted by the corporation's Board on _____, 2016 and by the Sole Member on _____, 2016.

Kristin E. Kernutt, Secretary

Acknowledgment by the Sole Member

Approval of the foregoing Bylaws is hereby acknowledged.

PACIFIC HEALTH ASSOCIATES,
an Oregon nonprofit public benefit corporation

By: _____
_____, President

LEGAL DESCRIPTIONS OF REAL PROPERTY

1. Springfield Real Property (110 International Way, Springfield, Oregon):

Legal Description: Real property in the County of Lane, State of Oregon, described as follows:

Parcel 1 and a portion of Parcel 2 of Land Partition Plan Number 94-P0502, as platted and recorded in the Land Partition Plat Records of Lane County, Oregon which is more particularly described as follows:

Beginning at the Northeast corner of said Parcel 1, said point being the Northeast corner of the A.C. Stevens Donation Land Claim No. 45 in Township 17 South, Range 3 West of the Willamette Meridian; thence South 0° 31' 00" West, along the East line of said Parcel 1, a distance of 803.96 feet to the Southeast corner thereof thence North 89° 46' 52" West, along the South boundary, a distance of 42.70 feet; thence leaving last said boundary South 45° 41' 15" West a distance of 121.08 feet to a point on the right-of-way of International Way; thence along said right-of-way on the arc of a 359.00 foot radius curve to the left, having a central angle of 40° 13' 43" and a chord bearing North 69° 40' 00" West 246.92 feet, a distance of 252.06 feet to a point on the afore-described South line of Parcel 1; thence North 89° 46' 52" West, along said line, a distance of 376.98 feet to the Southwest corner of Parcel 1; thence North 0° 31' 00" East, along the West line thereof, a distance of 801.10 feet to the Northwest corner of said Parcel 1, thence North 89° 59' 50" East, along the North line thereof, a distance of 737.88 feet to the point of beginning.

The basis of the bearings in this description is Land Partition Plat No. 94-P0502 by James Branch filed as County Surveyor's File No. 31950 on May 6, 1994, in the records of the Lane County Surveyor.

NOTE: This Legal Description was created prior to January 01, 2008.

2. Springfield Real Property (parcel of land adjacent to 110 International Way, Springfield, Oregon):

Parcel 1 of Land Partition Plat No. 2002-P1586 as filed and recorded July 16, 2002, Reception No. 2002-053695, Lane County Deed Records, in Lane County, Oregon.

3. Bend Real Property (2965 NE Conners Avenue, Bend, Oregon):

Lot 6 and Lot 8 of CARPENTER SUBDIVISION, City of Bend, Deschutes County, Oregon.

BYLAWS

OF

PACIFICSOURCE

an Oregon Nonprofit Public Benefit Corporation

(As amended and restated on _____, 2016)

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE 1. OFFICES.....	1
1.1 <u>Business Office</u>	1
1.2 <u>Registered Office</u>	1
ARTICLE 2. PURPOSES AND TAX-EXEMPT MATTERS	1
2.1 <u>Purposes</u>	1
2.2 <u>Tax-Exempt Matters</u>	1
ARTICLE 3. BOARD.....	2
3.1 <u>General Powers</u>	2
3.2 <u>Number and Tenure of Directors</u>	2
3.3 <u>Annual Meeting</u>	3
3.4 <u>Regular Meetings of the Board</u>	3
3.5 <u>Special Meetings of the Board</u>	3
3.6 <u>Notice of, and Waiver of Notice for, Special directors' Meetings</u>	3
3.7 <u>Directors' Quorum</u>	4
3.8 <u>Directors, Manner of Acting</u>	4
3.9 <u>Directors' Action Without a Meeting</u>	5
3.10 <u>Removal of Directors</u>	5
3.11 <u>Board Vacancies</u>	5
3.12 <u>Charitable Contributions and Grants</u>	5
3.13 <u>Conflicts of Interest</u>	6
3.14 <u>Officers of the Board</u>	6
ARTICLE 4. OFFICERS.....	6
4.1 <u>Number of Officers</u>	6

4.2	<u>Appointment and Term of Office</u>	7
4.3	<u>Removal of Officers/Vacancies</u>	7
4.4	<u>President</u>	7
4.5	<u>Executive Vice President</u>	7
4.6	<u>The Secretary</u>	7
4.7	<u>Other Offices</u>	8
4.8	<u>Salary of President</u>	8
ARTICLE 5.	MEMBERS	8
5.1	<u>Membership</u>	8
5.2	<u>Current Members</u>	8
5.3	<u>Rights of Members</u>	8
5.4	<u>Preservation of a Member’s Tax-Exempt Status</u>	12
5.5	<u>Meetings of the Members</u>	12
5.6	[Intentionally Deleted]	13
5.7	[Intentionally Deleted]	13
5.8	<u>Information Rights</u>	13
ARTICLE 6.	STRATEGIC PLANS AND BUDGETS.....	13
6.1	<u>Strategic Plans and Budgets</u>	13
ARTICLE 7.	COMMITTEES.....	13
7.1	<u>Committees</u>	13
7.2	<u>Composition of Committees Exercising Board Functions</u>	13
7.3	<u>Quorum and Actions</u>	13
7.4	<u>Limitations on the Powers of Committees</u>	13
ARTICLE 8.	INDEMNIFICATION OF DIRECTORS AND OFFICERS.....	14
8.1	<u>Indemnification of Directors and Officers</u>	14

ARTICLE 9. AMENDMENTS AND RELATED AGREEMENTS.....14

9.1 Amendments14

9.2 Other Agreements14

**BYLAWS OF
PACIFICSOURCE**

an Oregon Non-Profit Public Benefit Corporation

(As amended and restated on _____, 2016)

ARTICLE 1. OFFICES

1.1 Business Office. The principal office of the Corporation shall be located at any place within the state of Oregon as designated in the Corporation's most current Annual Report filed with the Oregon Secretary of State. The Corporation may have such other offices, either within or without the state of Oregon, as the Board of Directors of the Corporation (the "**Board**") may designate or as the business of the Corporation may require from time to time.

1.2 Registered Office. The registered office of the Corporation shall be located within Oregon and may be, but need not be, identical with the principal office. The address of the registered office may be changed from time to time.

ARTICLE 2. PURPOSES AND TAX-EXEMPT MATTERS

2.1 Purposes. The purposes for which the Corporation is organized are: (i) to provide management, administrative and other services to owned and affiliated health care service contractors, health insurance companies and providers of other health related services; (ii) directly and/or through the activities of subsidiary and affiliated companies, to engage in community health promotion and improvement activities, including, without limitation, the development of new care models and strategies for the improvement of the population's health; (iii) to benefit, support and further the nonprofit purposes of its members (individually a "**Member**" and collectively the "**Members**") through the issuance of distributions to its Members in accordance with the Oregon Nonprofit Corporation Act; (iv) to benefit, support and further the charitable, scientific and educational purposes of any of its Members that are exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding statutory provisions of any future successor United States internal revenue laws (the "**Code**"), including, without limitation, through the making of charitable contributions and grants to such Members; and (v) to engage in any other lawful activity for which corporations may be organized under the Oregon Nonprofit Corporation Act.

2.2 Tax-Exempt Matters. Notwithstanding any other provision of these Bylaws, the Corporation shall neither have, nor exercise, any power, nor shall it engage directly or indirectly in any activity, that would jeopardize the Section 501(c)(3) tax-exempt status of any Member that is exempt from federal income tax pursuant to Section 501(c)(3) of the Code. Further, the Corporation shall use good faith commercially reasonable efforts to minimize the characterization of dividends and distributions made to any such Member from being subject to the unrelated business income tax imposed under Sections 511 through 513 of the Code.

ARTICLE 3. BOARD

3.1 General Powers. All corporate powers shall be exercised by, or under the authority of, the Board and the business and affairs of the Corporation shall be managed under the direction of the Board, subject to the rights of the Corporation's Members as set forth in these Bylaws.

3.2 Number and Tenure of Directors.

(a) The Board shall consist of fifteen (15) voting members, six (6) of whom (the "**PHA Designees**") shall be appointed by Corporation member Pacific Health Associates, an Oregon nonprofit public benefit corporation (together with any subsidiary, parent or affiliate of Pacific Health Associates that may, pursuant to a duly approved/permitted transfer, become an assignee of Pacific Health Associates' Member Interest, "**PHA**"), six (6) of whom (the "**Legacy Designees**") shall be appointed by Corporation member Legacy Health, a Section 501(c)(3) tax-exempt Oregon nonprofit public benefit corporation (together with any subsidiary, parent or affiliate of Legacy Health that may, pursuant to a duly approved/permitted transfer, become an assignee of Legacy Health's Member Interest, "**Legacy**") (the PHA Designees and the Legacy Designees being referred to collectively in these Bylaws as the "**Member Designees**"), and three (3) of whom shall be appointed by the Member Designees (the "**Designee Appointed Directors**"). The PHA Designees shall include at least two (2) actively licensed physicians and at least three (3) representatives of the public as described in Oregon Revised Statutes ("**ORS**") 750.015(1) ("**Community Members**"). The Legacy Designees shall include at least two (2) actively licensed physicians and no more than two (2) individuals who are employees of Legacy or any Legacy subsidiary or affiliate. The Designee Appointed Directors shall include one (1) actively licensed physician and two (2) Community Members.

(b) The directors installed when these Bylaws become effective shall be divided by the mutual agreement of the initial Chair and Chair-elect of the Board into three (3) classes, as nearly equal in number as possible and with each class having as nearly equal numbers of PHA Designees, Legacy Designees and Designee Appointed Directors as possible. The term of the office of the first class ("**Class I**") shall expire at the second Annual Meeting (as defined in Section 3.3 below) after the classification; the term of office of the second class ("**Class II**") shall expire at the third Annual Meeting after the classification; and the term of office of the third class ("**Class III**") shall expire at the fourth Annual Meeting after the classification. Beginning with the second Annual Meeting after such classification and election, at each Annual Meeting, directors elected to succeed those directors whose terms expire shall be elected to serve three-year terms and until their successors are elected and qualified, so that the term of one class of directors will expire each year. If the number of directors is changed by amendment to these Bylaws, any newly created directorships, or any decrease in directorships, shall be so apportioned among the classes as to make all classes as nearly equal as possible, provided that no decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

(c) Except as otherwise provided in this Section 3.2, each director shall be elected for a term of three (3) years. Directors may serve no more than three (3) consecutive three-year terms; provided, however, that any director who serves an initial term of less than three years pursuant to Section (b) may serve three (3) consecutive three-year terms in addition to such initial term. The President and an immediate past Chair of the Board whose term as a director has expired shall be non-voting ex-officio members of the Board. Notwithstanding the foregoing, the ex-officio members of the Board may be excluded from access to any material or meeting or portion thereof if an ex-officio member of the Board's presence or receipt of any such materials could in the good faith determination of the Board result in a material conflict of interest.

3.3 Annual Meeting.

(a) An annual meeting of the Board (each an "**Annual Meeting**") shall be held each year, on the date and at such time as the Board shall designate, for the purpose of installing the PHA Designees and the Legacy Designees appointed for that year, electing the Member Designee(s) that are to be elected for that year, and transacting such other business as may come before the meeting. If the day fixed for the Annual Meeting shall be a legal holiday in the state of Oregon, such meeting shall be held on the next succeeding business day. If the installation and election of directors shall not be held on the day designated herein for any Annual Meeting, or any adjournment thereof, the Board shall cause such installation and election to be held at a special meeting of the Board as soon thereafter as conveniently may be.

(b) No less than sixty (60) days before each Annual Meeting, the Chair of the Board shall give notice to PHA and Legacy in writing of the Annual Meeting, and no less than ten (10) days before the Annual Meeting, PHA and Legacy shall provide to the Chair of the Board in writing the names of the PHA Designees and the Legacy Designees, respectively, appointed for the given year. The provisions regarding the time written notice is deemed effective in Section 3.6 below shall apply to notice provided pursuant to this paragraph (b).

3.4 Regular Meetings of the Board. Regular meetings of the Board in addition to the Annual Meeting shall be held at the time and place to be determined by the Board, but shall occur no less frequently than quarterly. Notice of such meetings, describing the date, time, place, and purpose of the meeting, shall be delivered to each director as provided in Section 3.6 below.

3.5 Special Meetings of the Board. Special meetings of the Board may be called by or at the request of the President, the Chair of the Board, or any three directors. Notice of such meetings, describing the date, time, place, and purpose of the meeting, shall be delivered to each director as provided in Section 3.6 below.

3.6 Notice of, and Waiver of Notice for, Special directors' Meetings. Notice of any special directors' meeting shall be given at least two days before the meeting in writing. If mailed, notice of any director meeting shall be deemed to be effective at the earlier of:

- (a) When received;
- (b) Three days after deposited in the United States mail, addressed to the director's business office, with postage thereon prepaid; or
- (c) The date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the director.

If sent by electronic mail during normal business hours, notice of any director meeting shall be deemed effective when submitted to the Internet service provider of the director at the last electronic email address provided by the director to the Corporation, with no notification from such Internet service provider that the notice is undeliverable (an "**undeliverable notice**"). If sent by electronic mail to such electronic mail address after normal business hours, notice shall be deemed effective the next business day, provided no undeliverable notice is received.

Any director may at any time waive notice of any meeting. Except as provided in the next sentence, the waiver must be in writing, signed by the director entitled to the notice, and filed with the minutes or corporate records. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business and at the beginning of the meeting or promptly upon the director's arrival objects to holding the meeting or transacting business at the meeting, and does not thereafter vote for or assent to action taken at the meeting.

3.7 Directors' Quorum. Two-thirds (2/3) of the number of directors in office immediately before the meeting begins shall constitute a quorum for the transaction of business at any meeting of the Board, unless the articles of incorporation of the Corporation (the "Articles of Incorporation") or these Bylaws require a greater number, provided, however, that a quorum shall not be met unless at least three (3) representatives from the PHA Designees and three (3) representatives from the Legacy Designees are present at any given meeting of the Board.

3.8 Directors, Manner of Acting. The act of the majority of the directors in office (referred to herein as a "**vote of a majority of the Board**") shall be the act of the Board unless the law or these Bylaws requires a greater number.

Unless the Articles of Incorporation provide otherwise, any or all directors may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

A director who is present at a meeting of the Board or a committee of the Board when corporate action is taken is deemed to have assented to the action taken unless:

- (a) The director objects at the beginning of the meeting or promptly upon the director's arrival to holding it or transacting business at the meeting;
- (b) The director's dissent or abstention from the action taken is entered in the minutes of the meeting; or

(c) The director delivers written notice of the director's dissent or abstention to the presiding officer of the meeting before its adjournment or to the Corporation immediately after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

3.9 Directors' Action Without a Meeting. Any action required or permitted by law to be taken by the Board at a meeting may be taken without a meeting if all the directors take the action, each one signs a written consent describing the action taken, and the consents are filed with the records of the Corporation. Action taken by consent is effective when the last director signs the consent, unless the consent specifies a different effective date. A signed consent has the effect of a meeting vote and may be so described in any document.

3.10 Removal of Directors. Any director may be removed, with or without cause, by a vote of two-thirds (2/3) of the directors then in office (referred to herein as a "**vote of two-thirds (2/3) of the Board**"). Any PHA Designee may be removed, with or without cause, by PHA. Any Legacy Designee may be removed, with or without cause, by Legacy.

3.11 Board Vacancies. Vacancies on the Board and newly created board positions will be filled as follows:

(a) If the vacancy is a position to be filled by a PHA Designee, the vacancy will be filled by PHA.

(b) If the vacancy is a position to be filled by a Legacy Designee, the vacancy will be filled by Legacy.

(c) If the vacancy is a position to be filled by a Designee Appointed Director, the vacancy will be filled by the Member Designees.

(d) If a new board position is created, the position will be filled in the manner agreed upon by the Members when the position is created.

3.12 Charitable Contributions and Grants. Notwithstanding any other provision of these Bylaws, the Corporation shall be permitted to make charitable contributions and/or grants in furtherance of the Corporation's purposes to organizations that are exempt from federal income tax pursuant to Section 501(c)(3) of the Code, including but not limited to one or more Members or Member-related organizations. Any such charitable contributions and/or grants may be made to provide general operating support for such organizations or for restricted charitable purposes. The following charitable contributions and/or grants shall require the approval of the Board: (a) contributions and/or grants in any amount to Members or Member-related organizations, (b) a contribution or grant of \$200,000 or more to an organization exempt from federal income tax pursuant to Section 501(c)(3) of the Code that is not a Member or a Member-related organization (a "**Non-Member Charitable Organization**"), and (c) a contribution and/or grant of less than \$200,000 to a Non-Member Charitable Organization if as a result of such contribution the aggregate of contributions and/or grants to Non-Member Charitable Organizations will exceed the budget for such charitable contributions in the then-applicable operating budget of the Corporation. All charitable contributions and/or grants not subject to

Board approval will be at the discretion of the Corporation's President or any other executive officer(s) to which the President delegates such discretion.

3.13 Conflicts of Interest. In order to govern and manage any conflicts of interest which arise with respect to matters that come before the Board, the Board shall at all times have a conflict of interest policy. The Board shall initially continue the conflict of interest policy in effect for the Board at the time these Bylaws become effective. Any modification of the conflict of interest policy shall require a vote of two-thirds (2/3) of the Board.

3.14 Officers of the Board. The officers of the Board shall be a Chair and Chair-Elect, both of whom shall be chosen from among the fifteen (15) directors.

(a) *Duties.* The Chair shall preside at all meetings of the Board and of the Members. The Chair shall be inspector of all the elections of directors and certify who are elected as such. The Chair-elect shall act in the place and stead of the Chair when the Chair is unable to act.

(b) *Term of Office.* The Chair and Chair-elect of the Corporation shall be appointed for a term of two years. After the term of office of the Chair and the Chair-elect expire, the Chair-elect shall become next Chair and the next Chair-elect shall be appointed in accordance with the process set forth in Section 3.14(c) below.

(c) *Appointment.* The director to serve as Chair when these Bylaws become effective shall be selected by PHA, and the director to serve as Chair-elect when these Bylaws become effective shall be selected by Legacy. At the end of the terms of such Chair and Chair-elect, provided that PHA and Legacy each then remain Members, the director next to serve as Chair-elect shall be selected by PHA. At the end of the terms of such subsequent Chair and Chair-elect, the directors may, for so long as PHA and Legacy are each Members, choose to perpetuate the alternate appointment of the Chair elect by PHA and Legacy (referred to below as the "**Alternate Appointment System**"), or the directors may choose instead to have the subsequent director to serve as Chair elect appointed by the Board.

(d) *Vacancies.* A vacancy in the office of Chair or Chair-elect shall be filled by the Board not later than the first regular meeting of the Board following the vacancy, except if the Alternate Appointment System remains in effect; if the Alternate Appointment System remains in effect, the Member that appointed the Chair or Chair elect being replaced shall appoint his or her replacement, such replacement to serve for the balance of the two-year term of the person being replaced.

ARTICLE 4. OFFICERS

4.1 Number of Officers. The officers of the Corporation shall be a President; Executive Vice Presidents, at the option of the Board; a Secretary; and any other positions required by applicable law. Such other officers and assistant officers as may be deemed necessary may be appointed by the Board. If specifically authorized by the Board, an officer may appoint one or more officers or assistant officers. The same individual may simultaneously hold more than one office in the Corporation.

4.2 Appointment and Term of Office. The officers of the Corporation shall be appointed for a term of one year, unless the Board otherwise determines that an alternate term is appropriate. All officers of the Corporation shall be appointed by a majority vote of the Board, provided however, that the President shall only be appointed by a vote of two-thirds (2/3) of the Board.

4.3 Removal of Officers/Vacancies. Any officer or agent may be removed by a majority vote of the Board, provided however, that the President may only be removed by a vote of two-thirds (2/3) of the Board, with or without cause. Any such removal shall not affect any contract rights such officer may have under any employment agreement with the Corporation, except as provided for in any such agreement. A vacancy in the office of President or Secretary shall be filled by the Board not later than the first regular meeting of the Board following the vacancy.

4.4 President. The President shall be the principal executive officer of the Corporation and shall in general supervise and control all of the business and affairs of the Corporation. The President may sign mortgages, bonds, contracts, or other instruments that are consistent with his duties, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time. The President may also be referred to as the Corporation's Chief Executive Officer or CEO or as the Corporation's President and Chief Executive Officer or President and CEO.

4.5 Executive Vice President. If elected, in the absence of the President or in the event of the President's death, inability, or refusal to act, and unless the Board designates another individual, the Executive Vice President (or if there is more than one, the Executive Vice President selected by the Board) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

4.6 The Secretary. The Secretary:

(a) Shall keep the minutes of the proceedings of the Board in one or more books provided for that purpose;

(b) Shall see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law;

(c) Shall be custodian of the corporate records;

(d) When requested or required, shall authenticate any records of the Corporation; and

(e) In general shall perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or by the Board.

4.7 Other Offices. The Board may elect or appoint other officers and agents as it shall deem necessary and desirable. They shall hold their offices for such terms and have such authority and perform such duties as shall be determined by the Board.

4.8 Salary of President. The salary of the President shall be fixed from time to time by a vote of two-thirds (2/3) of the Board.

ARTICLE 5. MEMBERS

5.1 Membership. The Corporation shall have one or more Members. A Member must (i) be an Oregon nonprofit public benefit Corporation, or a foreign nonprofit Corporation which, if incorporated in Oregon, would qualify as a nonprofit public benefit Corporation, and (ii) be permitted under ORS Chapter 65 to receive distributions from the Corporation (referred to herein as a “**Qualified Corporation**”). Membership in the Corporation will require a contribution by the Member to the Corporation’s capital in an amount determined by the Board; approval by the existing Members, if any, of the prospective Member and the amount of the Board-approved capital contribution; and the agreement of the prospective Member in writing, in a form acceptable to the Board, to comply with the Articles of Incorporation and these Bylaws and to be bound by any agreement(s) relating to the Corporation entered into among the Corporation and its existing Members or solely among the Corporation’s existing Members. Members shall have such rights with respect to the Corporation as set forth in these Bylaws (referred to in these Bylaws as a “**Member Interest**”). Subject to any agreement then in effect among the Corporation and the Members regarding the transfer of Member Interests, and to the Corporation’s Articles of Incorporation and these Bylaws, a Member Interest may be transferred by a Member to another Member or to a Qualified Corporation that is not a Member.

5.2 Current Members. Pursuant to that certain Member Interest Acquisition Agreement dated _____, 2015 (the “**Member Interest Acquisition Agreement**”), among Legacy, the Corporation, and certain of the Corporation’s subsidiaries and affiliates, PHA and Legacy are the sole current Members.

5.3 Rights of Members. The Members shall have the following rights:

(a) Governance. The following actions and decisions with respect to the Corporation and the Controlled Subsidiaries of the Corporation shall require unanimous approval of the Members (for purposes of these Bylaws, “**Controlled Subsidiaries**” shall mean the Corporation’s wholly-owned subsidiaries, majority owned subsidiaries and all other subsidiaries that the Corporation has the ability to control the management and direction of):

(1) Merger, consolidation, conversion, recapitalization, sale, including the sale of all or substantially all of the assets, liquidation or dissolution.

(2) Incurring debt or entering into acquisitions in excess of Fifty Million Dollars (\$50,000,000), whether in a single or a series of related transactions.

(3) Incurring any debt from a Member.

(4) Capital contributions by the Members in addition to the capital contributions already made or promised by the Members.

(5) Guarantee of debt by the Members.

(6) Any change in capitalization or the capitalization schedule; creation of a Member Interest or security senior to or pari passu with an existing Member Interest; change to the rights, preferences, and privileges with respect any Member Interest or security; establishing further Member Interests or issuing equity-like securities; and admission of a new Member.

(7) Except for Required Distributions and Excess Capital Distributions pursuant to Section 5.3(b) below, payment of Discretionary Distributions or any distribution with respect to any equity-type security (excluding transfers of funds between the Corporation and its subsidiaries and affiliates in the ordinary course of business).

(8) Any modification of a Required Distribution or Excess Capital Distribution pursuant to Section 5.3(b) below.

(9) Charitable contributions or grants to Members or Member-related organizations.

(10) Redemptions or repurchases of any membership or any equity security.

(11) Any amendment of the Corporation's Articles of Incorporation or these Bylaws.

(12) Any increase or decrease in the size of the Board not otherwise provided for in these Bylaws.

(b) Distributions.

(1) *No Distributions for Five Years.* There shall be no distributions to the Members for a period of five (5) years after the date of Legacy's initial contribution to the capital of the Corporation (the "**Five Year Period**").

(2) *Required Distributions.* After expiration of the Five Year Period, and subject to the limitations set forth in Section 5.3(b)(5), the Corporation shall make distributions to the Members in accordance with the table below ("**Required Distributions**"):

Consolidated Net Income Margin	Required Distribution Amount
<2%	No distributions are required to be made to the Members.

Consolidated Net Income Margin	Required Distribution Amount
2 – 4%	35% of the amount represented by Consolidated Net Income Margin above 2%, up to 4%, shall be distributed to the Members in accordance with this <u>Section 5.3(b)</u> .
>4%	35% of the amount represented by Consolidated Net Income Margin above 2%, up to 4%, and 50% of any excess above 4% of Consolidated Net Income Margin shall be distributed to the Members in accordance with this <u>Section 5.3(b)</u> .

For purposes of this Agreement, the following terms shall have the meanings set forth below:

- **“Capital”** shall have the meaning assigned to such term by the National Association of Insurance Commissioners.
- **“Consolidated Net Income”** means the Corporation’s consolidated net income after tax calculated in accordance with generally accepted accounting practices.
- **“Consolidated Net Income Margin”** means the measurement of the Corporation’s Consolidated Net Income as a percentage of its Total Revenue.
- **“Excess Capital”** means Capital in excess of the total amount of capital required to bring the Corporation and any of its Controlled Subsidiaries and controlled affiliates which are regulated, on a consolidated basis to: (a) the 600% RBC Level; plus (b) the net amount (after taking into account earnings) of (i) the projected capital requirements outlined for asset acquisitions, (ii) RBC necessary for projected growth and (iii) capital designated for acquisitions under the Corporation’s long range strategic plan.
- **“RBC” or “Risk Based Capital”** means the amount of capital appropriate for the Corporation on a consolidated basis to support the overall business operations of itself and its Controlled Subsidiaries and controlled affiliates in consideration of such entities’ size and risk profile, as such term may be further defined, revised, or established by applicable laws, rules and regulations of any states in which insurance or health plan business is conducted by the Corporation or its Controlled Subsidiaries or controlled affiliates. RBC shall specifically include any regulatory reserves the Corporation is required to maintain and regulatory net equity requirements the Corporation or a Controlled Subsidiary or

consolidated affiliate is required to satisfy by all applicable state insurance departments of insurance or other state or federal regulators which have jurisdiction over the Corporation and/or its Controlled Subsidiaries or controlled affiliates. For purposes of clarity, "RBC," as used by the National Association of Insurance Commissioners, typically applies to entities subject to regulation as insurance or health plan businesses. In addition to its application to the Corporation's Controlled Subsidiaries and controlled affiliates which are subjected to regulation as a result of engaging in insurance or health plan businesses, "RBC", for purposes of these Bylaws, is intended to apply to the financial status of the Corporation and its Controlled Subsidiaries and controlled affiliates on a consolidated basis.

- **"600% RBC Level"** shall mean Six Hundred Percent (600%) of RBC.
- **"Total Revenue"** means the total consolidated revenue of the Corporation as recorded on its books as of the end of the period for which the Consolidated Net Income is calculated.

(3) *Distributions of Excess Capital.* After expiration of the Five Year period, in addition to the Required Distributions, the Board shall authorize distributions of Excess Capital ("**Excess Capital Distributions**") to the Members.

(4) *Discretionary Distributions.* After expiration of the Five Year Period, in addition to the Required Distributions and Excess Capital Distributions, the Board may also authorize additional distributions by the Corporation ("**Discretionary Distributions**"), subject to Member approval pursuant to Section (vii) and any requirements under applicable law.

(5) *Limitations on Distributions.* Required Distributions, Excess Capital Distributions and Discretionary Distributions (collectively "**Distributions**") shall be limited such that any such distribution will not: (i) cause the Corporation's liquid assets to fall below the 600% RBC Level; or (ii) result in the immediate insolvency of the Corporation after making such distributions. The priority of limitation/reduction of Distributions to satisfy subsections (i) and (ii) of this Section 5.3(b)(5) directly above shall be as follows: (x) reductions shall be made first from Discretionary Distributions; (y) then from Excess Capital Distributions; and (z) finally from Required Distributions. Any such reductions or limitations on Distributions shall be solely to the extent necessary to meet the requirements of subsections (i) and (ii) of this Section 5.3(b)(5).

(6) *Timing of Distributions.* The Board shall after each calendar year, starting after the Five Year Period, calculate whether any Required Distributions and/or Excess Capital Distributions shall be made for such calendar year pursuant to the methodology set forth in Section 5.3(b), such determination to be made and

any authorized Required Distribution and/or Excess Capital Distribution paid no later than June 30 of the calendar year following the calendar year for which such determination is made. Discretionary Distributions shall be made at the time set by the Board.

(7) *Allocation of Distributions:* Any Required Distribution, Excess Capital Distribution or Discretionary Distribution, or any distribution upon dissolution of the Corporation, shall be made in proportion to the capital contributed to the Corporation by the Members. For example, if one Member is shown on the books of the Corporation as having contributed \$247,500,000 to the Corporation and the other Member is shown on the books of the Corporation as having contributed \$130,000,000 to the Corporation, distributions shall be made 65.56% to the Member that contributed \$247,500,000 and 34.44% to the Member that contributed \$130,000,000.

(c) Certain Legacy Capital Contributions. Notwithstanding the foregoing, as set forth in the Member Interest Acquisition Agreement, as defined below, any reductions by Legacy in the amount of its Legacy Capital Contribution, as defined under the Member Interest Acquisition Agreement, pursuant to Section 14.6(a) of the Member Interest Acquisition Agreement shall nevertheless be deemed to be capital contributions made to the Corporation for purpose of calculating Legacy's economic interests as a Member in the Corporation, including but not limited to allocations of distributions to Legacy pursuant to Section 5.3(b) above.

5.4 Preservation of a Member's Tax-Exempt Status. Notwithstanding any other provisions of these Bylaws, any Member that is exempt from federal income tax pursuant to Section 501(c)(3) of the Code shall have the unilateral right, based upon the written advice of nationally recognized tax counsel which advice shall be provided to the other Member upon request, to prevent the Corporation from taking any action, and to veto any action authorized by the Board, that such Section 501(c)(3) tax-exempt Member reasonably and in good faith believes could adversely affect its Section 501(c)(3) tax-exempt status. Examples of actions which could adversely impact a tax-exempt Member's tax exempt status include, but are not limited to, the conversion of the Corporation to a limited liability company or partnership taxed as a partnership, the use of the capital contributions from a tax-exempt Member to fund political activity and transactions between the Corporation and for-profit entities (other than the Corporation's for-profit Controlled Subsidiaries or for-profit controlled affiliates), for below fair market value.

5.5 Meetings of the Members. Meetings of the Members to address matters requiring Member action may be called by or at the request of the President, the Chair of the Board, or the chief executive of a Member. Notice of such meetings, describing the date, time, place, and purpose of the meeting, shall be given at least five days before such meeting and shall be delivered to each Member in the manner and with the effectiveness described in Section 3.6 above. Each Member shall have in attendance at any such meeting one or more persons with authority to act on behalf of the Member with respect to the matters to come before such meeting.

5.6 [Intentionally Deleted]

5.7 [Intentionally Deleted]

5.8 Information Rights. Each of the Corporation's Members shall have the right to have its authorized representatives review and copy the books and records of the Corporation and the Corporation's subsidiaries and affiliates, during ordinary business hours and at the requesting Member's expense, except for information that is prohibited from being disclosed to a Member under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and any regulations promulgated thereunder or any other federal or state laws, regulations or government orders, including but not limited to, the Sherman Act. 15 U.S.C. §§ 1-7 (collectively the "Restrictive Laws"). The Board shall take steps, as it deems appropriate, to ensure that Members do not have access to any information held by the Corporation, either through their information rights in this Section 5.8 or via their nominated representative directors on the Board, which access could potentially violate the Restrictive Laws.

ARTICLE 6. STRATEGIC PLANS AND BUDGETS

6.1 Strategic Plans and Budgets. For each of the Corporation's fiscal years, the Board shall approve an operating budget and a capital budget and shall approve or update a strategic plan. The Corporation's officers shall prepare and submit to the Board for its review and consideration proposed operating and capital budgets and a proposed strategic plan or update thereof.

ARTICLE 7. COMMITTEES

7.1 Committees. The Board may establish such committees as it deems necessary and desirable. Such committees may exercise functions of the Board or may be advisory committees.

7.2 Composition of Committees Exercising Board Functions. Any committee that exercises any function of the Board shall be composed of two (2) or more directors, appointed by the Chair. Each committee's membership shall include PHA Designees and Legacy Designees in equal numbers.

7.3 Quorum and Actions. A quorum at a committee meeting exercising Board functions shall be a majority of all committee members in office immediately before the meeting begins. If a quorum is present, action is taken by a majority vote of the committee members present.

7.4 Limitations on the Powers of Committees. No committee may finally determine (as opposed to recommend) the amount of compensation to be paid to the President; approve the dissolution or merger of the Corporation, or the sale, pledge or transfer of all or substantially all of the Corporation's assets; elect, appoint, or remove directors or fill vacancies on the Board or on any of its committees; or adopt, amend, or repeal the Articles of Incorporation, Bylaws, or any resolution by the Board.

ARTICLE 8. INDEMNIFICATION OF DIRECTORS AND OFFICERS

8.1 Indemnification of Directors and Officers. Subject to the provisions of ORS 65.387 to and including ORS 65.414, any director or officer, or former director or officer, or each person on or having served on a committee of the Corporation or any medical adviser, past or present, retained by the Corporation on a full or part-time basis and their heirs, executors and administrators, shall be indemnified and held harmless by the Corporation from any and all costs and expenses which may be imposed upon or reasonably incurred by him/her in connection with or resulting from any claim, action, suit or proceeding in which he/she may be involved by reason of his/her being or having been a director, officer, committee member, or medical adviser of the Corporation. As used herein, the term costs and expenses include but are not limited to attorney fees, court costs and amounts of judgments against and amounts paid in settlement by such director, officer, committee member or medical adviser, other than the amounts paid by the Corporation itself. It is the intention of this provision to recognize the responsibility inherent in being a director, officer, committee member or medical adviser of the Corporation, and by means of the foregoing provision to protect and indemnify the individual who has held, is holding or will hold such positions or any of them against any personal liability for his/her actions unless such actions involve dishonesty.

ARTICLE 9. AMENDMENTS AND RELATED AGREEMENTS

9.1 Amendments.

(a) Except as provided in paragraph (b) of this Section 9.1, these Bylaws may be amended or repealed, and new Bylaws adopted, only by (i) approval of the Board by a vote of three-fourths of the directors then in office, and (ii) approval of PHA and Legacy. Prior to the adoption by the Board of the amendment or replacement of these Bylaws, each director shall be given at least two (2) days' notice of the date, time, and place of the meeting at which the proposed amendment or replacement is to be considered, and the notice shall state that one of the purposes of the meeting is to consider a proposed amendment to or replacement of the Bylaws and shall contain a copy of the proposed amendment or replacement.

(b) These Bylaws shall be deemed immediately amended and restated in the form previously approved by the Members and the Board and attached hereto as Appendix A and attached to that certain Member Agreement, dated _____, to which the Corporation, PHA and Legacy are parties, (the "**Member Agreement**") in the event of (i) a Contribution Event (as such term is defined in the Member Agreement), or (ii) unless otherwise agreed by PHA and Legacy, a Disproportionate Capital Contribution (as such term is defined in the Member Agreement).

9.2 Other Agreements. These Bylaws shall be interpreted to be consistent with the Member Interest Acquisition Agreement and the Member Agreement.

The foregoing Bylaws were duly adopted by the Board on _____, 2016 by PHA on _____, 2016 and by Legacy on _____, 2016.

_____, Secretary

Acknowledgment by the Members

Approval of the foregoing Bylaws is hereby acknowledged.

PACIFIC HEALTH ASSOCIATES,
an Oregon nonprofit public benefit corporation

LEGACY HEALTH,
an Oregon nonprofit public benefit corporation

By: _____
President

By: _____
George J. Brown, M.D., FACP
President and Chief Executive Officer

Appendix A

Bylaws of PacificSource to Take Effect in the Event of a Triggering Event

See attached.

AMENDED AND RESTATED

BYLAWS

OF

PACIFICSOURCE

an Oregon Nonprofit Public Benefit Corporation

(As amended and restated on _____, 20__)

TABLE OF CONTENTS

ARTICLE 1. OFFICES.....1

 1.1 Business Office1

 1.2 Registered Office1

ARTICLE 2. PURPOSES AND TAX-EXEMPT MATTERS1

 2.1 Purposes1

 2.2 Tax-Exempt Matters1

ARTICLE 3. BOARD.....2

 3.1 General Powers2

 3.2 Number and Tenure of Directors.....2

 3.3 Annual Meeting.....3

 3.4 Regular Meetings of the Board3

 3.5 Special Meetings of the Board3

 3.6 Notice of, and Waiver of Notice for, Special directors’ Meetings3

 3.7 Directors’ Quorum4

 3.8 Directors, Manner of Acting.....4

 3.9 Directors’ Action Without a Meeting5

 3.10 Removal of Directors.....5

 3.11 Board Vacancies5

 3.12 Charitable Contributions and Grants6

 3.13 Conflicts of Interest.....6

 3.14 Officers of the Board6

ARTICLE 4. OFFICERS7

 4.1 Number of Officers7

 4.2 Appointment and Term of Office7

 4.3 Removal of Officers/Vacancies7

 4.4 President.....7

 4.5 Executive Vice President7

 4.6 The Secretary7

 4.7 Other Offices.....8

 4.8 Salary of President8

ARTICLE 5. MEMBERS8

 5.1 Membership.....8

 5.2 Current Members9

 5.3 Rights of Members.....9

 5.4 Preservation of a Member’s Tax-Exempt Status13

 5.5 Meetings of the Members14

 5.6 [Intentionally Deleted]14

 5.7 [Intentionally Deleted]14

 5.8 Information Rights14

ARTICLE 6. STRATEGIC PLANS AND BUDGETS14

6.1	Strategic Plans and Budgets.....	14
ARTICLE 7.	COMMITTEES.....	14
7.1	Committees	14
7.2	Composition of Committees Exercising Board Functions.....	15
7.3	Quorum and Actions	15
7.4	Limitations on the Powers of Committees.....	15
ARTICLE 8.	INDEMNIFICATION OF DIRECTORS AND OFFICERS	15
8.1	Indemnification of Directors and Officers	15
ARTICLE 9.	AMENDMENTS AND RELATED AGREEMENTS.....	15
9.1	Amendments	15
9.2	Other Agreement.....	16

AMENDED AND RESTATED BYLAWS OF

PACIFICSOURCE

an Oregon Non-Profit Public Benefit Corporation

(As amended and restated on _____, 2016)

ARTICLE 1. OFFICES

1.1 Business Office. The principal office of the Corporation shall be located at any place within the state of Oregon as designated in the Corporation's most current Annual Report filed with the Oregon Secretary of State. The Corporation may have such other offices, either within or without the state of Oregon, as the Board of Directors of the Corporation (the "**Board**") may designate or as the business of the Corporation may require from time to time.

1.2 Registered Office. The registered office of the Corporation shall be located within Oregon and may be, but need not be, identical with the principal office. The address of the registered office may be changed from time to time.

ARTICLE 2. PURPOSES AND TAX-EXEMPT MATTERS

2.1 Purposes. The purposes for which the Corporation is organized are: (i) to provide management, administrative and other services to owned and affiliated health care service contractors, health insurance companies and providers of other health related services; (ii) directly and/or through the activities of subsidiary and affiliated companies, to engage in community health promotion and improvement activities, including, without limitation, the development of new care models and strategies for the improvement of the population's health; (iii) to benefit, support and further the nonprofit purposes of its members (individually a "**Member**" and collectively the "**Members**") through the issuance of distributions to its Members in accordance with the Oregon Nonprofit Corporation Act; (iv) to benefit, support and further the charitable, scientific and educational purposes of any of its Members that are exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding statutory provisions of any future successor United States internal revenue laws (the "**Code**"), including, without limitation, through the making of charitable contributions and grants to such Members; and (v) to engage in any other lawful activity for which corporations may be organized under the Oregon Nonprofit Corporation Act.

2.2 Tax-Exempt Matters. Notwithstanding any other provision of these Bylaws, the Corporation shall neither have, nor exercise, any power, nor shall it engage directly or indirectly in any activity, that would jeopardize the Section 501(c)(3) tax-exempt status of any Member that is exempt from federal income tax pursuant to Section 501(c)(3) of the Code. Further, the Corporation shall use good faith commercially reasonable efforts to minimize the characterization of dividends and distributions made to any such Member from being subject to the unrelated business income tax imposed under Sections 511 through 513 of the Code.

ARTICLE 3. BOARD

3.1 General Powers. All corporate powers shall be exercised by, or under the authority of, the Board and the business and affairs of the Corporation shall be managed under the direction of the Board, subject to the rights of the Corporation's Members as set forth in these Bylaws.

3.2 Number and Tenure of Directors.

(a) The Board has consisted and shall continue to consist of fifteen (15) voting members. Prior to the adoption of these amended and restated Bylaws, each of the Corporation's two Members has appointed six (6) directors to the Board. Upon the adoption of these Bylaws, eight (8) members of the Board (the "**Majority Member Designees**") shall be appointed by the Majority Member (as such term is defined in Section 5.1(b)), four (4) members of the Board (the "**Minority Member Designees**") shall be appointed by the Minority Member (as such term is defined in Section 5.1(b)) (the Majority Member Designees and the Minority Member Designees being referred to collectively in these Bylaws as the "**Member Designees**"), and three (3) members of the Board shall be appointed by the Member Designees (the "**Designee Appointed Directors**"). The Majority Member Designees shall include at least three (3) actively licensed physicians, and the Minority Member Designees shall include at least one (1) actively licensed physician. The directors appointed by PHA, whether as a Majority Member or a Minority Member, shall include at least three (3) representatives of the public as described in Oregon Revised Statutes ("**ORS**") 750.015(1) ("**Community Members**"). The directors appointed by Legacy, whether as a Majority Member or a Minority Member, shall include no more than two (2) individuals who are employees of Legacy or any Legacy subsidiary or affiliate. The Designee Appointed Directors shall include one (1) actively licensed physician and two (2) Community Members.

(b) Prior to the adoption of these amended and restated Bylaws, three (3) classes of directors were formed, Class I, Class II, and Class III, with each class having as nearly equal numbers as possible of (i) members of the Board who were appointed by Corporation member Pacific Health Associates, an Oregon nonprofit public benefit corporation (together with any subsidiary, parent or affiliate of Pacific Health Associates that may, pursuant to a duly approved/permitted transfer, become an assignee of Pacific Health Associates' Member Interest, "**PHA**"), (ii) members of the Board appointed by Corporation member Legacy Health, a Section 501(c)(3) tax-exempt Oregon nonprofit public benefit corporation (together with any subsidiary, parent or affiliate of Legacy Health that may, pursuant to a duly approved/permitted transfer, become an assignee of Legacy Health's Member Interest, "**Legacy**"), and (iii) Designee Appointed Directors, and with the term of only one class of directors expiring in any given year. The division of the directors into three separate classes shall continue. At each Annual Meeting, directors elected to succeed those directors whose terms expire shall be elected to serve three-year terms and until their successors are elected and qualified, so that the term of one class of directors continues to expire each year. If the number of directors is changed by amendment to these Bylaws, any newly created directorships, or any decrease in directorships, shall be so apportioned among the classes

as to make all classes as nearly equal as possible, provided that no decrease in the number of directors constituting the Board shall shorten the term of any incumbent director unless the decrease is necessitated by the adoption of these amended and restated Bylaws.

(c) Directors may serve no more than three (3) consecutive three-year terms. The President and an immediate past Chair of the Board whose term as a director has expired shall be non-voting ex-officio members of the Board. Notwithstanding the foregoing, the ex-officio members of the Board may be excluded from access to any material or meeting or portion thereof if an ex-officio member of the Board's presence or receipt of any such materials could in the good faith determination of the Board result in a material conflict of interest.

3.3 Annual Meeting.

(a) An annual meeting of the Board (each an "Annual Meeting") shall be held each year, on the date and at such time as the Board shall designate, for the purpose of installing the Majority Member Designees and the Minority Member Designees appointed for that year, electing the Member Designee(s) that are to be elected for that year, and transacting such other business as may come before the meeting. If the day fixed for the Annual Meeting shall be a legal holiday in the state of Oregon, such meeting shall be held on the next succeeding business day. If the installation and election of directors shall not be held on the day designated herein for any Annual Meeting, or any adjournment thereof, the Board shall cause such installation and election to be held at a special meeting of the Board as soon thereafter as conveniently may be.

(b) No less than sixty (60) days before each Annual Meeting, the Chair of the Board shall give notice to PHA and Legacy in writing of the Annual Meeting, and no less than ten (10) days before the Annual Meeting, PHA and Legacy shall provide to the Chair of the Board in writing the names of the Majority Member Designees and the Minority Member Designees, as applicable, appointed for the given year. The provisions regarding the time written notice is deemed effective in Section 3.6 below shall apply to notice provided pursuant to this paragraph (b).

3.4 Regular Meetings of the Board. Regular meetings of the Board in addition to the Annual Meeting shall be held at the time and place to be determined by the Board, but shall occur no less frequently than quarterly. Notice of such meetings, describing the date, time, place, and purpose of the meeting, shall be delivered to each director as provided in Section 3.6 below.

3.5 Special Meetings of the Board. Special meetings of the Board may be called by or at the request of the President, the Chair of the Board, or any three directors. Notice of such meetings, describing the date, time, place, and purpose of the meeting, shall be delivered to each director as provided in Section 3.6 below.

3.6 Notice of, and Waiver of Notice for, Special directors' Meetings. Notice of any special directors' meeting shall be given at least two days before the meeting in writing. If mailed, notice of any director meeting shall be deemed to be effective at the earlier of:

- (a) When received;
- (b) Three days after deposited in the United States mail, addressed to the director's business office, with postage thereon prepaid; or
- (c) The date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the director.

If sent by electronic mail during normal business hours, notice of any director meeting shall be deemed effective when submitted to the Internet service provider of the director at the last electronic email address provided by the director to the Corporation, with no notification from such Internet service provider that the notice is undeliverable (an "**undeliverable notice**"). If sent by electronic mail to such electronic mail address after normal business hours, notice shall be deemed effective the next business day, provided no undeliverable notice is received.

Any director may at any time waive notice of any meeting. Except as provided in the next sentence, the waiver must be in writing, signed by the director entitled to the notice, and filed with the minutes or corporate records. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business and at the beginning of the meeting or promptly upon the director's arrival objects to holding the meeting or transacting business at the meeting, and does not thereafter vote for or assent to action taken at the meeting.

3.7 Directors' Quorum. Two-thirds (2/3) of the number of directors in office immediately before the meeting begins shall constitute a quorum for the transaction of business at any meeting of the Board, unless the articles of incorporation of the Corporation (the "Articles of Incorporation") or these Bylaws require a greater number, provided, however, that a quorum shall not be met unless at least four (4) representatives from the Majority Member Designees and two (2) representatives from the Minority Member Designees are present at any given meeting of the Board.

3.8 Directors, Manner of Acting. The act of the majority of the directors in office (referred to herein as a "**vote of a majority of the Board**") shall be the act of the Board unless the law or these Bylaws requires a greater number.

Unless the Articles of Incorporation provide otherwise, any or all directors may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

A director who is present at a meeting of the Board or a committee of the Board when corporate action is taken is deemed to have assented to the action taken unless:

- (a) The director objects at the beginning of the meeting or promptly upon the director's arrival to holding it or transacting business at the meeting;

(b) The director's dissent or abstention from the action taken is entered in the minutes of the meeting; or

(c) The director delivers written notice of the director's dissent or abstention to the presiding officer of the meeting before its adjournment or to the Corporation immediately after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

3.9 Directors' Action Without a Meeting. Any action required or permitted by law to be taken by the Board at a meeting may be taken without a meeting if all the directors take the action, each one signs a written consent describing the action taken, and the consents are filed with the records of the Corporation. Action taken by consent is effective when the last director signs the consent, unless the consent specifies a different effective date. A signed consent has the effect of a meeting vote and may be so described in any document.

3.10 Removal of Directors.

(a) Any director may be removed, with or without cause, by a vote of at least Seventy-Five Percent (75%) of the directors then in office. Any Majority Member Designee may be removed, with or without cause, by the Majority Member. Any Minority Member Designee may be removed, with or without cause, by the Minority Member.

(b) Upon the adoption of these amended and restated Bylaws, the makeup of the Board shall be changed to comply with Section 3.2 above. The Chair of the Board shall forthwith give written notice to the Members and request that (i) the Minority Member identify the two directors to be removed from the group of directors that are its designees, and (ii) the Majority Member identify the two additional directors to be appointed as its designees. If the Minority Member does not identify the two directors to be removed from the group of directors that are its designees within the earlier of (1) fifteen (15) days after notice is given, or (2) the period ending the day before the next meeting of the directors of the Corporation, the Chair and Chair-elect of the Board shall designate the Minority Member's designees to be removed. The removal of the applicable Minority Member Designees and the addition of the applicable Majority Member Designees shall be effective at the next meeting of the directors of the Corporation.

3.11 Board Vacancies. Vacancies on the Board and newly created board positions will be filled as follows:

(a) If the vacancy is a position to be filled by a Majority Member Designee, the vacancy will be filled by the Majority Member.

(b) If the vacancy is a position to be filled by a Minority Member Designee, the vacancy will be filled by the Minority Member.

(c) If the vacancy is a position to be filled by a Designee Appointed Director, the vacancy will be filled by the Member Designees.

(d) If a new board position is created, the position will be filled in the manner agreed upon by the Members when the position is created.

3.12 Charitable Contributions and Grants. Notwithstanding any other provision of these Bylaws, the Corporation shall be permitted to make charitable contributions and/or grants in furtherance of the Corporation's purposes to organizations that are exempt from federal income tax pursuant to Section 501(c)(3) of the Code, including but not limited to one or more Members or Member-related organizations. Any such charitable contributions and/or grants may be made to provide general operating support for such organizations or for restricted charitable purposes. The following charitable contributions and/or grants shall require the approval of the Board: (a) contributions and/or grants in any amount to Members or Member-related organizations, (b) a contribution or grant of \$200,000 or more to an organization exempt from federal income tax pursuant to Section 501(c)(3) of the Code that is not a Member or a Member-related organization (a "**Non-Member Charitable Organization**"), and (c) a contribution and/or grant of less than \$200,000 to a Non-Member Charitable Organization if as a result of such contribution the aggregate of contributions and/or grants to Non-Member Charitable Organizations will exceed the budget for such charitable contributions in the then-applicable operating budget of the Corporation. All charitable contributions and/or grants not subject to Board approval will be at the discretion of the Corporation's President or any other executive officer to which the President delegates such discretion.

3.13 Conflicts of Interest. In order to govern and manage any conflicts of interest which arise with respect to matters that come before the Board, the Board shall at all times have a conflict of interest policy. The Board shall initially continue the conflict of interest policy in effect for the Board at the time these Bylaws become effective. Any modification of the conflict of interest policy shall require a vote of two-thirds (2/3) of the directors then in office (referred to herein as a "**vote of two-thirds (2/3) of the Board**").

3.14 Officers of the Board. The officers of the Board shall be a Chair and Chair-Elect, both of whom shall be chosen from among the fifteen (15) directors.

(a) *Duties.* The Chair shall preside at all meetings of the Board and of the Members. The Chair shall be inspector of all the elections of directors and certify who are elected as such. The Chair-elect shall act in the place and stead of the Chair when the Chair is unable to act.

(b) *Term of Office.* The Chair and Chair-elect of the Corporation shall be appointed for a term of two years. After the term of office of the Chair and the Chair-elect expire, the Chair-elect shall become next Chair and the next Chair-elect shall be appointed in accordance with the process set forth in Section 3.14(c) below.

(c) *Appointment.* The director serving as Chair when these Bylaws become effective shall serve out his/her two-year term then in progress. At the end of the term of such Chair, the Chair-elect shall serve as the next Chair as provided for in Section 3.14(b). At the time such Chair-elect takes office, the next director to serve as Chair elect shall be appointed by the Board. Thereafter, the Board shall appoint each subsequent Chair-elect at the time the then current Chair-elect takes office as the Chair.

(d) *Vacancies.* A vacancy in the office of Chair or Chair-elect shall be filled by the Board not later than the first regular meeting of the Board following the vacancy.

ARTICLE 4. OFFICERS

4.1 Number of Officers. The officers of the Corporation shall be a President; Executive Vice Presidents, at the option of the Board; a Secretary; and any other positions required by applicable law. Such other officers and assistant officers as may be deemed necessary may be appointed by the Board. If specifically authorized by the Board, an officer may appoint one or more officers or assistant officers. The same individual may simultaneously hold more than one office in the Corporation.

4.2 Appointment and Term of Office. The officers of the Corporation shall be appointed for a term of one year, unless the Board otherwise determines that an alternate term is appropriate. All officers of the Corporation shall be appointed by a majority vote of the Board, provided however, that the President shall only be appointed by a vote of two-thirds (2/3) of the Board.

4.3 Removal of Officers/Vacancies. Any officer or agent may be removed by a majority vote of the Board, provided however, that the President may only be removed by a vote of two-thirds (2/3) of the Board, with or without cause. Any such removal shall not affect any contract rights such officer may have under any employment agreement with the Corporation, except as provided for in any such agreement. A vacancy in the office of President or Secretary shall be filled by the Board not later than the first regular meeting of the Board following the vacancy.

4.4 President. The President shall be the principal executive officer of the Corporation and shall in general supervise and control all of the business and affairs of the Corporation. The President may sign mortgages, bonds, contracts, or other instruments that are consistent with his duties, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time. The President may also be referred to as the Corporation's Chief Executive Officer or CEO or as the Corporation's President and Chief Executive Officer or President and CEO.

4.5 Executive Vice President. If elected, in the absence of the President or in the event of the President's death, inability, or refusal to act, and unless the Board designates another individual, the Executive Vice President (or if there is more than one, the Executive Vice President selected by the Board) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

4.6 The Secretary. The Secretary:

(a) Shall keep the minutes of the proceedings of the Board in one or more books provided for that purpose;

(b) Shall see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law;

(c) Shall be custodian of the corporate records;

(d) When requested or required, shall authenticate any records of the Corporation; and

(e) In general shall perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or by the Board.

4.7 Other Offices. The Board may elect or appoint other officers and agents as it shall deem necessary and desirable. They shall hold their offices for such terms and have such authority and perform such duties as shall be determined by the Board.

4.8 Salary of President. The salary of the President shall be fixed from time to time by a vote of two-thirds (2/3) of the Board.

ARTICLE 5. MEMBERS

5.1 Membership.

(a) The Corporation shall have one or more Members. A Member must (i) be an Oregon nonprofit public benefit Corporation, or a foreign nonprofit Corporation which, if incorporated in Oregon, would qualify as a nonprofit public benefit Corporation, and (ii) be permitted under ORS Chapter 65 to receive distributions from the Corporation (referred to herein as a “**Qualified Corporation**”). Membership in the Corporation will require a contribution by the Member to the Corporation’s capital in an amount determined by the Board; approval by the existing Members, if any, of the prospective Member and the amount of the Board-approved capital contribution; and the agreement of the prospective Member in writing, in a form acceptable to the Board, to comply with the Articles of Incorporation and these Bylaws and to be bound by any agreement(s) relating to the Corporation entered into among the Corporation and its existing Members or solely among the Corporation’s existing Members. For purposes herein, the term “**Member Interest**” shall mean each Member’s rights with respect to the Corporation as set forth in these Bylaws, the economic interest of which shall be proportionately based on each Member’s capital contributions to the Corporation, whether actually made or deemed to be made by these Bylaws, the Member Agreement or the Member Interest Acquisition Agreement, as defined below. Subject to any agreement then in effect among the Corporation and the Members regarding the transfer of Member Interests, and to the Corporation’s Articles of Incorporation and these Bylaws, a Member Interest may be transferred by a Member to another Member or to a Qualified Corporation that is not a Member.

(b) For purposes of this Agreement, “**Majority Member**” shall mean a Member who has a Member Interest of greater than fifty percent (50%), as based on such Member’s actual and/or deemed capital contributions in comparison to the capital

contributions of the other Members, and “**Minority Member**” shall mean a Member who has a Member Interest of less than fifty (50%), as based on such Member’s actual and/or deemed capital contributions in comparison to the capital contributions of the other Members.

5.2 Current Members. PHA and Legacy are currently the sole Members of the Corporation.

5.3 Rights of Members. The Members shall have the following rights:

(a) Governance.

(1) The following actions and decisions with respect to the Corporation and the Controlled Subsidiaries of the Corporation shall require the approval of the Majority Member (for purposes of these Bylaws, “**Controlled Subsidiaries**” shall mean the Corporation’s wholly-owned subsidiaries, majority owned subsidiaries and all other subsidiaries that the Corporation has the ability to control the management and direction of):

(i) Merger, consolidation, conversion, recapitalization, sale, including the sale of all or substantially all of the assets, liquidation or dissolution.

(ii) Incurring debt or entering into acquisitions in excess of Fifty Million Dollars (\$50,000,000), whether in a single or a series of related transactions.

(iii) Incurring any debt from a Member.

(iv) Capital contributions by the Members in addition to the capital contributions already made or promised by the Members.

(v) Guarantee of debt by the Members.

(vi) Any change in capitalization or the capitalization schedule; creation of a Member Interest or security senior to or pari passu with an existing Member Interest; change to the rights, preferences, and privileges with respect any Member Interest or security; establishing further Member Interests or issuing equity-like securities; and admission of a new Member.

(vii) Except for Required Distributions and Excess Capital Distributions pursuant to Section 5.3(b) below, payment of Discretionary Distributions or any distribution with respect to any equity-type security (excluding transfers of funds between the Corporation and its subsidiaries and affiliates in the ordinary course of business).

(viii) Any modification of a Required Distribution or Excess Capital Distribution pursuant to Section 5.3(b) below.

(ix) Charitable contributions or grants to Members or Member-related organizations.

(x) Redemptions or repurchases of any membership or any equity security.

(xi) Any amendment of the Corporation's Articles of Incorporation or these Bylaws.

(xii) Any increase or decrease in the size of the Board not otherwise provided for in these Bylaws.

(2) In addition to any approvals required from the Majority Member pursuant to Section 5.3(a)(1) above, the following actions and decisions with respect to the Corporation and the Controlled Subsidiaries of the Corporation shall require the approval of the Minority Member:

(i) Merger, consolidation, conversion, recapitalization, sale, including the sale of all or substantially all of the assets, liquidation or dissolution.

(ii) Capital contributions by the Minority Member in addition to the capital contributions already made or promised by the Minority Member.

(iii) Guarantee of debt by the Minority Member.

(iv) Creation of a Member Interest or security senior to the Member Interest of the Minority Member; and change to the rights, preferences, and privileges with respect the Member Interest of the Minority Member.

(v) Charitable contributions or grants to Members or Member-related organizations.

(vi) Any modification of a Required Distribution or an Excess Capital Distribution pursuant to Section 5.3(b) below.

(vii) Any Discretionary Distributions that are not pro rata to the Member Interests of each Member.

(viii) Any amendment of the Corporation's Articles of Incorporation or these Bylaws.

(ix) Any increase or decrease in the size of the Board not otherwise provided for in these Bylaws.

(b) Distributions.

(1) *No Distributions for Five Years.* There shall be no distributions to the Members for a period of five (5) years after the date of Legacy's initial contribution to the capital of the Corporation (the "Five Year Period").

(2) *Required Distributions.* After expiration of the Five Year Period, and subject to the limitations set forth in Section 5.3(b)(5), the Corporation shall make distributions to the Members in accordance with the table below ("Required Distributions"):

Consolidated Net Income Margin	Required Distribution Amount
<2%	No distributions are required to be made to the Members.
2 – 4%	35% of the amount represented by Consolidated Net Income Margin above 2%, up to 4%, shall be distributed to the Members in accordance with this <u>Section 5.3(b)</u> .
>4%	35% of the amount represented by Consolidated Net Income Margin above 2%, up to 4%, and 50% of any excess above 4% of Consolidated Net Income Margin shall be distributed to the Members in accordance with this <u>Section 5.3(b)</u> .

For purposes of this Agreement, the following terms shall have the meanings set forth below:

- "**Capital**" shall have the meaning assigned to such term by the National Association of Insurance Commissioners.
- "**Consolidated Net Income**" means the Corporation's consolidated net income after tax calculated in accordance with generally accepted accounting practices.
- "**Consolidated Net Income Margin**" means the measurement of the Corporation's Consolidated Net Income as a percentage of its Total Revenue.
- "**Excess Capital**" means Capital in excess of the total amount of capital required to bring the Corporation and any of its Controlled Subsidiaries or controlled affiliates which are regulated, on a consolidated basis to: (a) the 600% RBC Level; plus (b) the net

amount (after taking into account earnings) of (i) the projected capital requirements outlined for asset acquisitions, (ii) RBC necessary for projected growth and (iii) capital designated for acquisitions under the Corporation's long range strategic plan.

- **“RBC”** or **“Risk Based Capital”** means the amount of capital appropriate for the Corporation on a consolidated basis to support the overall business operations of itself and its Controlled Subsidiaries and controlled affiliates in consideration of such entities' size and risk profile, as such term may be further defined, revised, or established by applicable laws, rules and regulations of any states in which insurance or health plan business is conducted by the Corporation or its Controlled Subsidiaries or controlled affiliates. RBC shall specifically include any regulatory reserves the Corporation is required to maintain and regulatory net equity requirements the Corporation or a Controlled Subsidiary or consolidated affiliate is required to satisfy by all applicable state insurance departments of insurance or other state or federal regulators which have jurisdiction over the Corporation and/or its Controlled Subsidiaries or controlled affiliates. For purposes of clarity, “RBC,” as used by the National Association of Insurance Commissioners, typically applies to entities subject to regulation as insurance or health plan businesses. In addition to its application to the Corporation's Controlled Subsidiaries and controlled affiliates which are subjected to regulation as a result of engaging in insurance or health plan businesses, “RBC”, for purposes of these Bylaws, is intended to apply to the financial status of the Corporation and its Controlled Subsidiaries and controlled affiliates on a consolidated basis.
- **“600% RBC Level”** shall mean Six Hundred Percent (600%) of RBC.
- **“Total Revenue”** means the total consolidated revenue of the Corporation as recorded on its books as of the end of the period for which the Consolidated Net Income is calculated.

(3) *Distributions of Excess Capital.* After expiration of the Five Year period, in addition to the Required Distributions, the Board shall authorize distributions of Excess Capital (**“Excess Capital Distributions”**) to the Members. The Board shall, at least annually, determine whether the Corporation has any Excess Capital and if so determined, shall authorize and distribute Excess Capital Distributions accordingly.

(4) *Discretionary Distributions.* After expiration of the Five Year Period, in addition to the Required Distributions and Distributions of Excess Capital, the Board may also authorize additional distributions by the Corporation

("**Discretionary Distributions**"), subject to Member approval pursuant to Section 5.3(a) and any requirements under applicable law.

(5) *Limitations on Distributions.* Required Distributions, Excess Capital Distributions and Discretionary Distributions (collectively "**Distributions**") shall be limited such that any such distribution will not: (i) cause the Corporation's liquid assets to fall below the 600% RBC Level; or (ii) result in the immediate insolvency of the Corporation after making such distributions. The priority of limitation/reduction of Distributions to satisfy (i) and (ii) directly above shall be as follows: (x) reductions shall be made first from Discretionary Distributions; (y) then from Excess Capital Distributions; and (z) finally from Required Distributions. Any such reductions or limitations on Distributions shall be solely to the extent necessary to meet the requirements of subsections (i) and (ii) of this Section 5.3(b)(5).

(6) *Timing of Distributions.* The Board shall after each calendar year calculate whether any Required Distributions and/or Excess Capital Distributions shall be made for such calendar year pursuant to the methodology set forth in Section 5.3(b)(1), such determination to be made and any authorized Required Distribution and/or Excess Capital Distribution paid no later than June 30 of the calendar year following the calendar year for which such determination is made. Discretionary Distributions shall be made at the time set by the Board.

(7) *Allocation of Distributions:* Any Required Distribution, Excess Capital Distribution or Discretionary Distribution, or any distribution upon dissolution of the Corporation, shall be made in proportion to the capital contributed to the Corporation by the Members. For example, if one Member is shown on the books of the Corporation as having contributed \$247,500,000 to the Corporation and the other Member is shown on the books of the Corporation as having contributed \$130,000,000 to the Corporation, distributions shall be made 65.56% to the Member that contributed \$247,500,000 and 34.44% to the Member that contributed \$130,000,000.

(c) Certain Legacy Capital Contributions. Notwithstanding the foregoing, as set forth in the Member Interest Acquisition Agreement, as defined below, any reductions by Legacy in the amount of its Legacy Capital Contribution, as defined under the Member Interest Acquisition Agreement, pursuant to Section 14.6(a) of the Member Interest Acquisition Agreement shall nevertheless be deemed to be capital contributions made to the Corporation for purpose of calculating Legacy's economic interests as a Member in the Corporation, including but not limited to allocations of distributions to Legacy pursuant to Section 5.3(b)(7) above.

5.4 Preservation of a Member's Tax-Exempt Status. Notwithstanding any other provisions of these Bylaws, any Member that is exempt from federal income tax pursuant to Section 501(c)(3) of the Code shall have the unilateral right, based upon the written advice of nationally recognized tax counsel which advice shall be provided to the other Member upon request, to prevent the Corporation from taking any action, and to veto any action authorized by

the Board or a Majority Member, that such Section 501(c)(3) tax-exempt Member reasonably and in good faith believes could adversely affect its Section 501(c)(3) tax-exempt status. Examples of actions which could adversely impact a tax-exempt Member's tax exempt status include, but are not limited to, the conversion of the Corporation to a limited liability company or partnership taxed as a partnership, the use of the capital contributions from a tax-exempt Member to fund political activity and transactions between the Corporation and for-profit entities (other than the Corporation's for-profit Controlled Subsidiaries or for-profit controlled affiliates), for below fair market value.

5.5 Meetings of the Members. Meetings of the Members to address matters requiring Member action may be called by or at the request of the President, the Chair of the Board, or the chief executive of a Member. Notice of such meetings, describing the date, time, place, and purpose of the meeting, shall be given at least five days before such meeting and shall be delivered to each Member in the manner and with the effectiveness described in Section 3.6 above. Each Member shall have in attendance at any such meeting one or more persons with authority to act on behalf of the Member with respect to the matters to come before such meeting.

5.6 [Intentionally Deleted]

5.7 [Intentionally Deleted]

5.8 Information Rights. Each of the Corporation's Members shall have the right to have its authorized representatives review and copy the books and records of the Corporation and the Corporation's subsidiaries and affiliates, during ordinary business hours and at the requesting Member's expense, except for information that is prohibited from being disclosed to a Member under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and any regulations promulgated thereunder or any other federal or state laws, regulations or government orders, including but not limited to, the Sherman Act. 15 U.S.C. §§ 1-7 (collectively the "**Restrictive Laws**"). The Board shall take steps, as it deems appropriate, to ensure that Members do not have access to any information held by the Corporation, either through their information rights in this Section 5.8 or via their nominated representative directors on the Board, which access could potentially violate the Restrictive Laws.

ARTICLE 6. STRATEGIC PLANS AND BUDGETS

6.1 Strategic Plans and Budgets. For each of the Corporation's fiscal years, the Board shall approve an operating budget and a capital budget and shall approve or update a strategic plan. The Corporation's officers shall prepare and submit to the Board for its review and consideration proposed operating and capital budgets and a proposed strategic plan or update thereof.

ARTICLE 7. COMMITTEES

7.1 Committees. The Board may establish such committees as it deems necessary and desirable. Such committees may exercise functions of the Board or may be advisory committees.

7.2 Composition of Committees Exercising Board Functions. Any committee that exercises any function of the Board shall be composed of two (2) or more directors, appointed by the Chair. Each committee's membership shall include a minimum of one (1) Minority Member Designee.

7.3 Quorum and Actions. A quorum at a committee meeting exercising Board functions shall be a majority of all committee members in office immediately before the meeting begins. If a quorum is present, action is taken by a majority vote of the committee members present.

7.4 Limitations on the Powers of Committees. No committee may finally determine (as opposed to recommend) the amount of compensation to be paid to the President; approve the dissolution or merger of the Corporation, or the sale, pledge or transfer of all or substantially all of the Corporation's assets; elect, appoint, or remove directors or fill vacancies on the Board or on any of its committees; or adopt, amend, or repeal the Articles of Incorporation, Bylaws, or any resolution by the Board.

ARTICLE 8. INDEMNIFICATION OF DIRECTORS AND OFFICERS

8.1 Indemnification of Directors and Officers. Subject to the provisions of ORS 65.387 to and including ORS 65.414, any director or officer, or former director or officer, or each person on or having served on a committee of the Corporation or any medical adviser, past or present, retained by the Corporation on a full or part-time basis and their heirs, executors and administrators, shall be indemnified and held harmless by the Corporation from any and all costs and expenses which may be imposed upon or reasonably incurred by him/her in connection with or resulting from any claim, action, suit or proceeding in which he/she may be involved by reason of his/her being or having been a director, officer, committee member, or medical adviser of the Corporation. As used herein, the term costs and expenses include but are not limited to attorney fees, court costs and amounts of judgments against and amounts paid in settlement by such director, officer, committee member or medical adviser, other than the amounts paid by the Corporation itself. It is the intention of this provision to recognize the responsibility inherent in being a director, officer, committee member or medical adviser of the Corporation, and by means of the foregoing provision to protect and indemnify the individual who has held, is holding or will hold such positions or any of them against any personal liability for his/her actions unless such actions involve dishonesty.

ARTICLE 9. AMENDMENTS AND RELATED AGREEMENTS

9.1 Amendments.

(a) Except as provided in paragraph (b) of this Section 9.1, these Bylaws may be amended or repealed, and new Bylaws adopted, only by (a) approval of the Board by a vote of three-fourths of the directors then in office, and (b) approval of PHA and Legacy. Prior to the adoption by the Board of the amendment or replacement of these Bylaws, each director shall be given at least two (2) days' notice of the date, time, and place of the meeting at which the proposed amendment or replacement is to be considered, and the notice shall state that one of the purposes of the meeting is to

(b) consider a proposed amendment to or replacement of the Bylaws and shall contain a copy of the proposed amendment or replacement.

(c) These Bylaws shall be deemed immediately amended and restated to the form in effect immediately prior to the adoption of these Bylaws in the event of a Restoration Event, as such term is defined under the Member Agreement.

9.2 Other Agreements. These Bylaws shall be interpreted to be consistent with: (a) that certain Member Interest Acquisition Agreement dated _____, 2015 (the "**Member Interest Acquisition Agreement**"), by and among Legacy, PHA the Corporation, and certain of the Corporation's subsidiaries and affiliates; and (b) that certain Member Agreement, dated _____, by and among the Corporation, PHA and Legacy (the "**Member Agreement**").

The foregoing Bylaws were duly adopted by the Board on _____, 2016 by PHA on _____, 2016 and by Legacy on _____, 2016.

_____, Secretary

MEMBER AGREEMENT

THIS MEMBER AGREEMENT (“**this Agreement**”) is made and entered into effective _____, 2016 (the “**Effective Date**”), by and among PACIFIC HEALTH ASSOCIATES, an Oregon nonprofit public benefit corporation (“**PHA**”), LEGACY HEALTH, an Oregon nonprofit public benefit corporation (“**Legacy**”), and PACIFICSOURCE, an Oregon nonprofit public benefit corporation (“**PacificSource**”). (All of the Parties to this Agreement may be referred to collectively in this Agreement as the “**Parties**” or individually as a “**Party**.”)

RECITALS

A. PHA and Legacy are the sole members of PacificSource, each member having a 50% Member Interest in PacificSource and the member rights associated therewith. (PHA and Legacy may be referred to collectively in this Agreement as “**Members**” and individually as a “**Member**,” and a Member’s interest in PacificSource shall be referred to in this Agreement as a “**Member Interest**.”)

B. PHA and Legacy have agreed upon certain restrictions with respect to the transfer of their Member Interests in PacificSource and with respect to certain other matters relating to PacificSource, as described in, and on the terms and conditions set forth in, this Agreement. PacificSource has agreed to be a Party to this Agreement to evidence its agreement to perform the obligations of PacificSource set forth in this Agreement.

C. Initially capitalized terms used in this Agreement that are not otherwise defined in this Agreement shall have the meaning ascribed to them in the Bylaws of PacificSource, as amended and restated on _____, 2016.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

1. Incorporation of Recitals. The foregoing Recitals are hereby incorporated into this Agreement.

2. Restrictions on Transfer of Member Interest.

2.1 General Restriction on Transfer of Member Interest. PHA and Legacy each agree that, except as expressly provided in this Agreement, including but not limited to Section 2.8, and for so long as PHA and Legacy are members of PacificSource, it shall not sell, otherwise dispose of, or encumber in any manner its Member Interest in PacificSource.

2.2 Member Interest as Collateral. The Parties acknowledge that those providing capital to PHA and Legacy in the form of debt (lenders, bond holders, etc.) may seek to have the Member’s Member Interest be collateral for such debt. Such an encumbrance by a member shall be permitted with the approval of the other Member (which approval shall not be unreasonably withheld), provided that all required regulatory approvals are obtained. The Parties agree that the encumbrances listed in Exhibit B hereto are deemed approved by the Members and shall not require any further consent or approval from any Party.

2.3 Transfer of Member Interest During the Five Year Period after the Effective Date. During the five year period following the Effective Date, a member (the “**Selling Member**”) may sell its Member Interest and withdraw as a member of PacificSource only with the consent of the other Member (the “**Other Member**”). If the Other Member agrees in writing to such sale and withdrawal (the date of such agreement being referred to below as the “**Valuation Date**”), the Selling Member shall sell all of the Selling Member’s Member Interest to the Other Member, on the terms set forth below in this Section 2.3, unless the Other Member agrees to a sale to a third party.

(a) Purchase Price.

(1) The purchase price for Selling Member’s Member Interest (the “**Purchase Price**”) shall be the full fair market value of the Selling Member’s Member Interest as of the Valuation Date. The full fair market value of the Selling Member’s Member Interest as of the Valuation Date shall equal the Selling Member’s Contribution Percentage (as defined below) multiplied by the collective fair market value of PacificSource and PacificSource’s subsidiaries and affiliates as of the Valuation Date.

(2) For purposes of paragraph (1) of this paragraph (a), the “**Selling Member’s Contribution Percentage**” shall mean the Selling Member’s aggregate contribution of capital to PacificSource at the time of the purchase (excluding any obligation to contribute to capital to PacificSource that has not then been funded) divided by the aggregate contribution of capital to PacificSource by both Members at such time (again, excluding any obligation to contribute to capital to PacificSource that has not then been funded), expressed as a percentage. (For example, if Legacy is the Selling Member and at the time of the purchase Legacy’s aggregate funded capital contributions to PacificSource are \$200 million and PHA is deemed to have funded contributions to PacificSource of \$250 million, Legacy’s Selling Member’s Contribution Percentage would be \$200 million/\$450 million or 44%, and the full fair market value of the Legacy’s Member Interest (before the 20% discount provided for above) would be 44% of the collective fair market value of PacificSource and PacificSource’s subsidiaries and affiliates as of the Valuation Date.)

(3) The collective fair market value of PacificSource and PacificSource’s subsidiaries and affiliates as of the Valuation Date shall be determined by appraisal (the “**Valuation**”) pursuant to the process below, in a manner consistent with the manner by which the collective fair market value of PacificSource and PacificSource’s subsidiaries and affiliates was determined in connection with Legacy becoming a Member of PacificSource. (For purposes of this Agreement, “**Independent Appraiser**” shall mean a nationally recognized independent consulting firm with suitable experience valuing companies similar to PacificSource and PacificSource’s subsidiaries and affiliates):

(A) Within thirty (30) days of the Valuation Date, the Selling Member and the Other Member shall each select an Independent

Appraiser to determine the value of PacificSource which valuations shall be completed within sixty (60) days of the Valuation Date. In the event that the Independent Appraisers selected by the Members calculate: (i) the same fair market value for PacificSource, such value shall be the final Valuation; or (ii) different fair market values for PacificSource, the final Valuation shall be determined pursuant to subsection (B) below.

(B) In the event that the two Independent Appraisers have determined different values of PacificSource, then, if the difference between the two amounts is less than or equal to ten percent (10%) of the higher of the two, the final value of PacificSource for the Valuation shall equal the average of the two appraised amounts. If the difference between the two appraised amounts is more than ten percent (10%) of the higher of the two, then PHA's appraiser and Legacy's appraiser shall select a third appraiser for the purpose of making a final determination of the Valuation, which determination shall be completed within a period of sixty (60) days of the appointment of such appraiser and shall be binding upon PHA and Legacy.

(b) Closing of the Sale; Payment of the Purchase Price; Security.

(1) The sale of the Selling Member's Member Interest shall close (the "**Closing**") no later than sixty (60) days after the later of (i) completion of the Valuation, or (ii) obtaining any required regulatory approval, unless the Selling Member and the Other Member agree to a later closing date (the "**Closing Date**").

(2) At the Closing, the Other Member shall be required to make payment of Eighty Percent (80%) of the Purchase Price to the Selling Member, either in full in immediately available funds or in amortizing installments pursuant to subsections (3) and (4) below. The Parties agree that the remaining Twenty Percent (20%) of the Purchase Price shall be retained by the Other Member as liquidated damages in connection with the Losses experienced by the Other Member as a result of the Selling Member's exit from PacificSource. For purposes of this Section 2.3(b)(2), "**Losses**" shall include, but are not limited to, the loss of the Selling Member's guidance and input in the operation and strategic direction of PacificSource, the loss of the partnership of the Selling Member, the loss of the potential care coordination activities to be engaged in by PacificSource and the Selling Member, and the reduction in the value of PacificSource and the corresponding reduction in the value of the Other Member's Member Interest as a result of the departure of the Selling Member.

(3) The Other Member may elect to pay the required Eighty Percent (80%) of the Purchase Price due in fully amortizing installments (monthly, quarterly or annual, at the Other Member's discretion) over a period of ten (10) years, with interest accruing on the unpaid balance of the Purchase Price from the Closing Date until paid at the long term Applicable Federal Rate in

effect on the Closing Date. (If the Applicable Federal Rate is no longer in effect, the interest rate shall be established using a comparable successor rate reported by the U.S. Department of the Treasury.) If the Other Member elects to pay the Purchase Price in installments, the installment obligation shall be evidenced by a promissory note in form acceptable to the Parties (the “**Promissory Note**”).

(4) The Other Member’s obligation under the Promissory Note shall be secured in a manner mutually agreed by the Selling Member and the Other Member. If the Selling Member and the Other Member are unable to agree upon the form of security, the Promissory Note shall be secured by a right of the Selling Member, upon an uncured default by the Other Member, to be restored to a Member Interest in PacificSource (the “**Restored Member Interest**”). The member rights under the Restored Member Interest (e.g., rights to a percentage of PacificSource’s distributions to members) shall include a portion of the member rights under the original Selling Member’s Member Interest proportionate to the percentage of the Purchase Price that remained unpaid at the time of the Other Member’s default. The Other Member shall retain the portion of the rights under the Selling Member’s Member Interest that are not transferred to the Restored Member Interest.

2.4 Transfer of Member Interest Following the Five Year Period after the Effective Date.

(a) Right of First Offer.

(1) After the end of the five year period following the Effective Date, a member (again, the “**Selling Member**”) wishing to sell all or a portion of the Selling Member’s Member Interest shall first offer to sell the Member Interest, or portion thereof, to the other member or members of PacificSource (the “**Other Member(s)**”). If PacificSource then has more than one Other Member, the Other Members shall have the opportunity to purchase such portions of the Member Interest being sold by the Selling Member as the Other Members shall agree; provided, however, that (i) each Other Member shall have the right, at a minimum, to purchase that fraction of the Member Interest being sold by the Selling Member equal to the ratio of the capital contributed to PacificSource by such Other Member to the total of the capital contributed to PacificSource by all of the Other Members wishing to purchase a portion of the Member Interest being sold by the Selling Member, and (ii) the Other Member(s) must agree to purchase all of the Member Interest the Selling Member wishes to sell.

(2) The Selling Member shall give written notice to PacificSource and to the Other Member(s) of the Selling Member’s desire to sell all or a portion of the Selling Member’s Member Interest. Each Other Member shall have thirty (30) days after receipt of the Selling Member’s notice to notify the Selling Member in writing of its interest in purchasing all or a portion of the Member Interest the Selling Member wishes to sell. If the Selling Member receives such a notice from one or more Other Member(s), and such offer(s) to

purchase will result in the sale of all of the Member Interest the Selling Member wishes to sell, the Selling Member and such Other Member(s) shall negotiate in good faith the terms of such sale(s) not otherwise provided for in this Section 2.4(a). If the Selling Member and the Other Member(s) are, after negotiating in good faith, unable to reach agreement regarding such sale(s), or if the offers received by the Selling Member would not result in the sale of all of the Member Interest the Selling Member wishes to sell, then the Selling Member shall be permitted to offer the Member Interest the Selling Member wishes to sell to Qualified Corporations that are not members of PacificSource, subject to Section 2.4(b) of this Agreement. (For purposes of this Agreement, “**Qualified Corporation**” means an Oregon nonprofit public benefit Corporation, or a foreign nonprofit Corporation which, if incorporated in Oregon, would qualify as a nonprofit public benefit Corporation, that is be permitted under ORS Chapter 65 to receive distributions from PacificSource.)

(3) A sale to an Other Member pursuant to this Section 2.4(a) shall include the following terms:

(A) Purchase Price. Unless the Selling Member and the Other Member(s) otherwise agree, the purchase price for the Member Interest the Selling Member wishes to sell (again, the “**Purchase Price**”) shall be the full fair market value of such Member Interest at the time of the purchase. The full fair market value of such Member Interest at the time of the purchase shall be determined in the manner set forth in Section 2.3(a) of this Agreement, with the cost of the Valuation being shared equally by Selling Member and the Other Member(s).

(B) Closing of the Sale; Payment of the Purchase Price. The sale of the Member Interest the Selling Member wishes to sell shall close (the “**Closing**”) no later than thirty (30) days after completion of the Valuation, unless the Selling Member and the Other Member(s) agree to a later closing date (the “**Closing Date**”). The terms for payment of the Purchase Price shall be as agreed by the Selling Member and the Other Member(s).

(b) “Tag Along” Rights. In the event a Selling Member proposes to sell all or a portion of the Selling Member’s Member Interest to a Qualified Corporation that is not a member of PacificSource (the “**Buyer**”) and such sale is permitted under this Agreement, then the Selling Member shall give the Other Member(s) written notice of such proposed transfer, including the terms thereof. Each Other Member shall then have the right, exercisable by written notice to the Selling Member within thirty (30) days following delivery of such notice, to participate in such sale by selling a portion of such Other Member’s Member Interest on a pro rata basis on substantially the same (and no less favorable) terms as the Selling Member. (For purposes of this Section 2.4(b), “selling a portion of such Other Member’s Member Interest on a pro rata basis” means selling that portion of such Other Member’s Member Interest equal to (i) the Member Interest to be purchased by the Buyer, multiplied by (ii) a fraction, the numerator of

which is such Other Member's contribution to the capital of PacificSource and the denominator of which is the aggregate contributions to the capital of PacificSource made by the Selling Member and all of the Other Members who will participate in such sale.)

2.5 Regulatory Approval. Any transfer of Member Interest permitted under this Agreement shall be conditioned upon the Selling Member obtaining all necessary regulatory approvals, including, without limitation, the approval of the Insurance Division of the Oregon Department of Consumer and Business Services, if required.

2.6 Buy-Sell Option.

(a) This "**Buy-Sell Option**" may be initiated upon written notice (the "**Buy-Sell Initiation Notice**") by any Member (the "**Initiating Member**") to the other Member after a transfer of Control (including either voluntary or involuntary transfers of Control) of the other Member to a third party acquirer. Upon the occurrence of a transaction described in the preceding sentence, the Initiating Member shall have the option to (1) purchase the Member Interest of the other Member, or (2) require the other Member to purchase the Member Interest of the Initiating Member, on the terms set forth in this Section 2.6. (For purposes of this Agreement, "**Control**" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by the appointment of persons to a governing board, by being a member of a non-profit entity, by contract or otherwise.)

(1) *Timing of Buy-Sell Initiation Notice:* A Buy-Sell Initiation Notice can only be delivered as follows: (x) if the Initiating Member receives notice from the other Member of a transaction covered by Section 2.6(a) of this Agreement prior to the closing such transaction, then the Buy-Sell Initiation Notice must be given with in thirty (30) days after such notice is received by the Initiating Member; or (y) if no such notice is given to the Initiating Member prior to the closing of a transaction involving the other Member covered by Section 2.6(a) of this Agreement, then the Buy-Sell Initiation Notice must be given within thirty (30) days after the closing of the transaction.

(2) *Content of Buy-Sell Initiation Notice:* Any such notice shall contain a legend at the top in bold 12 point font, stating the following: **THIS NOTICE IS THE EXERCISE OF AN OPTION TO [BUY OUT YOUR INTEREST IN PACIFICSOURCE][REQUIRE YOU TO PURCHASE OUR INTEREST IN PACIFICSOURCE] PURSUANT TO SECTION 2.6 OF THAT CERTAIN PACIFICSOURCE MEMBER AGREEMENT, DATED _____, BY AND BETWEEN LEGACY HEALTH AND PHA.** The Buy-Sell Initiation Notice shall either: (1) set forth a calculation of the fair market value purchase price of the Member Interest to be transferred based on an appraisal of PacificSource conducted by an Independent Appraiser; or (2) indicate that the Initiating Member shall provide such calculation within thirty (30) days of the Buy-Sell Initiation Notice. The purchase price shall be determined in accordance with the provisions of this

Section 2.6 by multiplying the fair market value of PacificSource by the applicable percentage interest being sold, the “**Buy-Sell Purchase Price**”).

(b) Within ten (10) days after receiving a Buy-Sell Initiation Notice, the responding Member (the “**Responding Member**”) shall acknowledge receipt of such notice. The Responding Member may, upon written notice to the Initiating Member within ten (10) days of either (x) the date of delivery of the Buy-Sell Initiation Notice or (y) the delivery of a fair market value calculation called for in such notice, elect to obtain its own appraisal of PacificSource conducted by an Independent Appraiser. In the event that the Independent Appraiser selected by Responding Member calculates a different fair market value from that calculated by the Independent Appraiser selected by Initiating Member, the final fair market value shall be determined in the manner set forth in Section 2.6(c).

(c) In the event that two Independent Appraisers have determined different values of PacificSource, then, if the difference between the two amounts is less than or equal to ten percent (10%) of the higher of the two, PacificSource’s value to be used in determining the Buy-Sell Purchase Price shall equal the aggregate of the two appraised amounts divided by two. If the difference between the two appraised amounts is more than ten percent (10%) of the higher of the two, then the Initiating Member and the Responding Member shall first negotiate in good faith for thirty (30) days to agree on the fair market value of PacificSource. At the end of such thirty (30) day period if the Initiating Member and the Responding Member have not reached agreement on the fair market value of PacificSource, then the Initiating Member’s appraiser and the Responding Member’s appraiser shall select a third appraiser for the purpose of making a final determination of the fair market value of PacificSource, which determination shall be completed within a period of sixty (60) days of the appointment of such appraiser and shall be binding upon the Initiating Member and the Responding Member.

(d) The closing date (the “**Buy-Sell Closing Date**”) shall be a date agreed upon by the Initiating Member and the Responding Member that is not more than sixty (60) days following the date on which (i) the final valuation for PacificSource has been determined by the process set forth in Section 2.6(b) and (c) above, and (ii) all required regulatory approvals have been obtained (the “**Buy-Sell Closing**”). The Buy-Sell Closing shall take place on the Buy-Sell Closing Date and shall be completed through a customary closing escrow held at the offices of the escrow agent. Each Member agrees to cooperate and to take all actions and execute all documents reasonably necessary or appropriate to reflect the purchase of the subject Member Interest by the Initiating Member or the Responding Member, as applicable. The Buy-Sell Purchase Price must be fully paid in cash at the Buy-Sell Closing.

(e) Each Member will be responsible for its own costs and expenses incurred in connection with the Buy-Sell Option, including any appraisals obtained by such Member and any legal fees incurred by such Member.

2.7 No Right of Offset. The Parties agree that any Person purchasing a Member Interest pursuant to Sections 2.3, 2.4, or 2.6 above (each a “**Buyer**”) shall not defer,

withhold or offset any amounts of the purchase price to be paid for such Member Interest against any amounts owed to or due to the Buyer by the selling Member, or claimed by the Buyer against the selling Member, under any other agreements, matters or Actions. (For purposes of this Agreement, “**Actions**” shall mean means any lawsuit, legal proceeding, litigation, arbitration, complaint, charge, claim (including counterclaims), prosecution, indictment, action, suit, investigation, inquiry, audit or review, or legal, administrative, arbitration or other alternative dispute resolution proceeding, in each case (whether civil, criminal, administrative, investigative or informal) domestic or foreign, criminal or civil, at law or in equity, by or before any governmental authority or arbitrator.)

2.8 Member Internal Change of Control. Notwithstanding the sections above governing transfers of Member Interests, the Parties agree that 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 (a “**Member Internal COC**”). Such transfers may be made at the Member’s sole discretion and shall not require the approval of the other Member, PacificSource or any other Person. For purposes of clarity, Sections 2.1 to 2.7 above shall not apply to any Member Internal COC.

2.9 Calculation of Value of Member Interest. For avoidance of doubt, as set forth in the Member Interest Acquisition Agreement, as defined below, any reductions by Legacy in the amount of its Legacy Contribution to Capital, as defined under the Member Interest Acquisition Agreement, pursuant to Section 14.6(a) of the Member Interest Acquisition Agreement (“**Permitted Reductions**”) shall nevertheless be deemed to be capital contributions made to PacificSource and shall not be considered Contribution Events or Disproportionate Capital Contributions by Legacy. Accordingly, any calculations of the value of a Member Interest, or equivalent term, including but not limited to the Selling Member’s Contribution Percentage, pursuant to this Agreement shall account for and consider any such Permitted Reductions to be capital contributions to PacificSource.

3. Corporate Opportunity. The Parties intend that the Health Plans (as such term is defined below) provided by PacificSource, by and through the PacificSource Affiliates, will be the only Health Plans in which Legacy and PHA have an interest. To this end, the Parties agree that unless otherwise agreed by PHA and Legacy, neither Legacy nor PHA will directly or indirectly start a Health Plan or pursue a transaction where a Health Plan is the predominant operation or value. Alternatively, if either Legacy or PHA directly or indirectly acquires a health system that has a Health Plan as a Minor portion of the transaction, such Party will use its reasonable best efforts to integrate the Health Plan into PacificSource as soon as reasonably possible. Legacy and PHA each agree to forthwith notify PacificSource’s board of directors and President/CEO of potential transactions where a Health Plan is a component of the operation or value.

3.1 For purposes of this Agreement, “**Health Plan**” means products and services that are related to health insurance, utilization management, third party administration services, Medicare Advantage plans and/or Medicaid Plans that are (a) currently provided by PacificSource, by and through the PacificSource Affiliates, and/or (b) developed by PacificSource, by and through the PacificSource Affiliates, in the future. Notwithstanding the

foregoing, the term "Health Plan" shall exclude any provider based activities that PacificSource or the PacificSource Affiliates may engage in, including but not limited to, operation, management, ownership or administration of any risk based provider organization (e.g., Medicare Shared Savings Program Accountable Care Organizations), health care providers, health care systems or health care provider networks.

3.2 For purposes of this Agreement, "**Minor**" means that the Health Plan constitutes less than twenty percent (20%) of the health system's EBITDA. (For purposes of this Agreement, "EBITDA" means earnings before interest, taxes, depreciation and amortization.)

4. Restriction on Issuance of Member Interest or Equity Interest by PacificSource Affiliates. The Parties shall cause the governing documents of each entity controlled by PacificSource (each a "**PacificSource Affiliate**") to provide that no new member shall be admitted to membership and no equity interest shall be issued to a new shareholder or member, as the case may be, without the consent of the members of PacificSource.

5. Amendment of PacificSource Bylaws Upon the Occurrence of Certain Events.

5.1 Contribution Event. Pursuant to that certain Member Interest Acquisition Agreement dated _____, 2015 (the "**Member Interest Acquisition Agreement**"), by and among Legacy, PacificSource, PHA and certain of PacificSource's subsidiaries and affiliates, Legacy has agreed to make Additional Contributions, as such term is defined under the Member Interest Acquisition Agreement, over a period of five (5) years in exchange for Member Interest in PacificSource. As part of the consideration for Legacy's agreement to make the Additional Contributions, the parties to the Member Interest Acquisition Agreement agreed that, provided Legacy timely and fully performs its obligations to make the Additional Contributions, Legacy would have the same governing rights as PHA under PacificSource's Bylaws, even though Legacy's economic interest in PacificSource will be less than that of PHA until all of the Additional Contributions have been made. The Parties hereby agree that if, pursuant to the Member Interest Acquisition Agreement, Legacy has defaulted on its obligation to make an Additional Contribution or if Legacy has elected, pursuant to Section 3.8(c) of the Member Interest Acquisition Agreement, not to make one or more future Additional Contributions as a result of the occurrence of a Catastrophic Event, as such term is defined under the Member Interest Acquisition Agreement, (each a "**Contribution Event**"), the current Bylaws of PacificSource (the "**Current Bylaws**") shall be deemed amended and restated, in the form attached to this Agreement as Exhibit A (the "**Replacement Bylaws**"), effective immediately after the occurrence of the Contribution Event. At such time, Legacy would be the Minority Member, as defined under the Replacement Bylaws, and PHA would be the Majority Member. The Parties further agree that if after the occurrence of a Contribution Event, Legacy completes payment of all of the remaining Additional Contributions, the Current Bylaws shall, effective the date Legacy completes payment of all of the remaining Additional Contributions, be restored as the Bylaws of PacificSource (subject to subsequent amendment in accordance with such Bylaws) and at which time the Members would be restored to equal status and there would be no Majority Member or Minority Member (a "**Legacy Restoration Event**"). For purposes of clarity, without limiting Section 2.9 above, if Legacy reduces the amount of any Additional Contribution pursuant to Section 14.6(a)(3) of the Member Interest Acquisition Agreement, such reduction shall not be considered a Contribution Event.

5.2 Disproportionate Additional Contribution by a Member. After the Additional Contributions have been paid in full, Legacy and PHA will be deemed to have made equal capital contributions to PacificSource. If (a) the board of directors of PacificSource subsequently determines that PacificSource requires additional capital and obtaining such capital from the Members is in the best interests of PacificSource, and (b) if Legacy and PHA agree that such a capital contribution is advisable and that one of them will contribute more than Fifty Percent (50%) of the required capital (a "**Disproportionate Capital Contribution**"), then, unless Legacy and PHA shall otherwise agree, effective at the time of such Disproportionate Capital Contribution and continuing until such time, if any, as the aggregate capital contributions of the Members are again deemed to be equal, the Current Bylaws shall be deemed amended and restated in the form of the Replacement Bylaws. At such time as a Disproportionate Capital Contribution is made, and continuing until such time, if any, as the aggregate capital contributions of the Members are again deemed to be equal, the Member who made the Disproportionate Capital Contribution shall be the Majority Member, as defined under the Replacement Bylaws, and the Member who contributed less than Fifty Percent (50%) of the required capital shall be the Minority Member. If at a given time in the future, the aggregate capital contributions of the Members are again deemed to be equal, the Current Bylaws shall be restored and at such time the Members would be restored to equal status and there would be no Majority Member or Minority Member (a "**Disproportionate Member Restoration Event**").

5.3 Restoration of the Current Bylaws. A Legacy Restoration Event and each Disproportionate Member Restoration Event may be referred to individually as a "**Restoration Event**" or collectively as the "**Restoration Events.**" Any Restoration Event shall result in the restoration of the Current Bylaws.

6. Compulsory Distributions. The Members agree that they will jointly take action against PacificSource if the board of directors of PacificSource fails to make any Required Distributions or Excess Capital Distributions in accordance with the provisions of the Current Bylaws, or as applicable, the Replacement Bylaws.

7. Miscellaneous Provisions.

7.1 Construction.

(a) Unless the context of this Agreement otherwise requires, (i) words of any gender include each other gender; (ii) words using the singular or plural number also include the plural or singular number, respectively; (iii) the terms "hereof," "herein," "hereby," "hereto" and derivative or similar words refer to this entire Agreement; (iv) the term "Section" refers to the specified Section of this Agreement; (v) the word "including" shall mean "including, without limitation" and (vi) the word "or" shall be disjunctive but not exclusive.

(b) References to agreements and other documents shall be deemed to include all subsequent amendments and other modifications thereto.

(c) References to statutes shall include all regulations promulgated thereunder and references to statutes or regulations shall be construed as including all

statutory and regulatory provisions consolidating, amending or replacing the statute or regulation.

(d) The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent and no rule of strict construction shall be applied against any Party.

(e) Whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified.

7.2 Notices. All notices and other communications among the Parties shall be in writing and shall be deemed to have been duly given (i) when delivered in person, (ii) three days after posting in the United States mail having been sent registered or certified mail, return receipt requested, (iii) when delivered by nationally recognized overnight delivery service, or (iv) when delivered by facsimile transmission with confirmation of successful transmission received by the sender, addressed as follows:

If to PHA, to:

Pacific Health Associates

Attention: _____
Facsimile: (____) _____ - _____

with a copy to:

Attention: _____
Facsimile: (____) _____ - _____

If to Legacy, to:

Legacy Health

Attention: George J. Brown, M.D., President and CEO
Facsimile: (503) _____ - _____

with a copy to:

Sheppard, Mullin, Richter & Hampton, LLP
1901 Avenue of the Stars, Suite 1600
Los Angeles, CA 90067
Attention: Eric Klein, Esq.
Facsimile: (310) 228-3988

If to PacificSource, to:

PacificSource
110 International Way
Springfield, OR 97477
Attention: Ken Provencher, President and CEO
Facsimile: (541) 684-5575

with a copy to:

Dunn Carney Allen Higgins & Tongue LLP
851 SW Sixth Avenue
Suite 1500
Portland, Oregon 92704
Attention: I. Kenneth Davis, Esq.
Facsimile: (503) 224-7324

or to such other address or addresses as the Parties may from time to time designate in writing.

7.3 Assignment; Binding Effect. No Party shall assign this Agreement or any part hereof without the prior written consent of the other Parties. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the Parties and their respective permitted successors and assigns.

7.4 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Oregon, regardless of the laws that might otherwise govern under applicable principles of conflicts of law.

7.5 Headings. The headings in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

7.6 Entire Agreement. This Agreement constitutes the entire agreement among the Parties relating to the subject matter hereof and supersedes any other agreements, whether written or oral, that may have been made or entered into by or among any of the Parties relating to such subject matter. No representations, warranties, covenants, understandings, agreements, oral or otherwise, relating to such subject matter exist between the Parties except as expressly set forth in this Agreement.

7.7 No Waiver; Cumulative Remedies. Except as specifically set forth herein, the rights and remedies of the Parties are cumulative and not alternative. No failure or delay on the part of any Party in exercising any right, power or remedy under this Agreement will operate as a waiver of such right, power or remedy, and no single or partial exercise of any such right, power or remedy will preclude any other or further exercise of such right, power or remedy or the exercise of any other right, power or remedy. To the maximum extent permitted by applicable law, (a) no claim or right arising out of this Agreement can be discharged by one Party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other Party; (b) no waiver that may be given by a Party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one Party will be deemed to be a waiver of any obligation of that Party or of the right of the Party giving such notice or demand to take further action without notice or demand as provided in this Agreement.

7.8 Amendments. This Agreement may be amended or modified in whole or in part, only by a duly authorized agreement in writing executed in the same manner as this Agreement and which makes reference to this Agreement.

7.9 Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement shall remain in full force and effect. The Parties further agree that if any provision contained herein is, to any extent, held invalid or unenforceable in any respect under the laws governing this Agreement, they shall take any actions necessary to render the remaining provisions of this Agreement valid and enforceable to the fullest extent permitted by law and, to the extent necessary, shall amend or otherwise modify this Agreement to replace any provision contained herein that is held invalid or unenforceable with a valid and enforceable provision giving effect to the intent of the Parties.

7.10 Jurisdiction. Any proceeding or action arising out of or relating to this Agreement may be brought in any state or federal court having subject matter jurisdiction and located in Multnomah County or Lane County in the State of Oregon. Each of the Parties irrevocably submits to the exclusive jurisdiction of each such court in any such proceeding or action, waives any objection it may now or hereafter have to personal jurisdiction, venue or to convenience of forum, agrees that all claims in respect of the proceeding or action shall be heard and determined only in any such court, and agrees not to bring any proceeding or action arising out of or relating to this Agreement in any other court. Nothing herein contained shall be deemed to affect the right of any Party to serve process in any manner permitted by law or to commence legal proceedings or otherwise proceed against any other Party in any other jurisdiction, in each case, to enforce judgments obtained in any action, suit or proceeding brought pursuant to this Section 6.10.

7.11 Counterparts; Facsimile Signatures. This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. The Parties agree that for purposes of this Agreement and the other documents, agreements, and certificates to be executed in connection with the Contemplated Transactions, delivery via facsimile or other electronic transmission of an executed signature page to this Agreement, such document, agreement or

certificate shall be as effective as delivery of a “wet ink” signature page to this Agreement, such document, agreement or certificate.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Agreement effective the date first written above.

PHA

PACIFIC HEALTH ASSOCIATES

By: _____
Print Name: _____
Title: _____

LEGACY:

LEGACY HEALTH

By: _____
George J. Brown, M.D., FACP
President and Chief Executive Officer

PACIFICSOURCE:

PACIFICSOURCE

By: _____
Kenneth P. Provencher
President and CEO

EXHIBIT A
REPLACEMENT BYLAWS

EXHIBIT B

PERMITTED ENCUMBRANCES

1. The following lists those debts with respect to which, Legacy may collateralize its Member Interest
 - a. **[Exhibit to be updated with a list of those debt instruments, financings and other instruments, agreements, obligations and/or commitments pursuant to which Legacy is required to grant a security interest in its assets generally (including, but not limited to, the existing security interest in Legacy's gross revenues), potentially including its Member Interest.]**