

Office of the President

TO MEMBERS OF THE HEALTH SERVICES COMMITTEE

ACTION ITEM

For Meeting of July 19, 2023

ACQUISITION OF GENERAL ACUTE CARE HOSPITAL ASSETS, SAN FRANCISCO CAMPUS

EXECUTIVE SUMMARY

UCSF Health (“UCSFH”) is seeking approval to enter into one or more transactions pursuant to which the Regents or an entity solely owned by the Regents will acquire certain San Francisco assets of CommonSpirit Health (“CSH”), its affiliated medical foundation (“**Medical Foundations**”) and supporting charitable foundation(s) including: (1) St. Mary’s Medical Center (“**SMMC**”); (2) Saint Francis Memorial Hospital (“**SFMH**”); (3) ancillary outpatient clinic assets associated with the operation of SMMC and SFMH, including certain assets of the Medical Foundation; and (4) certain assets of St. Mary’s Medical Center Foundation and/or Saint Francis Charitable Foundation (consolidated philanthropy organizations) (“**Charitable Foundation(s)**”) (“**Proposed Transaction(s)**”). SMMC is currently owned and operated by CSH subsidiary Dignity Health and SFMH is currently owned and operated by the “Saint Francis Memorial Hospital” corporation (the “**Corporation**”), which is ultimately controlled by CSH through its affiliate Dignity Community Care. A diagram illustrating the current ownership structure for the assets included in the Proposed Transaction is attached as Attachment 1.

UCSFH’s vision is to provide high-quality, equitable and appropriate care for its patients and elevate the health of the communities it serves. In addition to serving as a regional referral center serving many Northern California patients who need more complex care, UCSFH also provides critical services in the City and County of San Francisco and has many longstanding relationships with other health systems and organizations to support the health care needs of the most vulnerable local community members. The demand for UCSFH’s services surpasses its current capacity. UCSFH is operating at 94 percent inpatient capacity and wait times for outpatient visits are up to several months in certain specialties. Acquiring the assets described in this transaction will greatly enhance UCSFH’s ability to deliver sought-after, high-quality inpatient and outpatient services in San Francisco.

The total consideration for SMMC, SFMH, and associated assets will be less than \$100 million dollars, subject to continued due diligence and ongoing negotiation of definitive agreement terms and conditions for the purchase price. The business case for the acquisition is discussed in the Background section below, and accounts for more efficient distribution of services across facilities, improved access for high-complexity patients at the Parnassus and Mission Bay

campuses, and a mechanism to minimize service disruptions during the Parnassus construction project. The business case supports UCSFH's core strategic objective to address demand for its services among the communities it serves and is projected to have a positive net present value. Lastly, UCSFH completed substantial due diligence in key areas through which it has identified risks to be addressed through additional review, negotiation of the transaction documents, and operational integration planning.

RECOMMENDATION

The President of the University recommends that the Health Services Committee recommend to the Regents that:

1. Subject to satisfactory completion of due diligence and the requirements set forth in Section 2 below, the following actions are authorized:
 - A. UCSF Health (UCSFH) may acquire certain assets controlled by CommonSpirit Health ("CSH"), including St. Mary's Medical Center ("SMMC"), Saint Francis Memorial Hospital ("SFMH"), select supporting outpatient clinics, and select real property assets as listed in Attachment 2.
 - B. At conclusion of the Proposed Transactions the Regents, through UCSFH, will control all operations of SMMC, SFMH and the other assets included as described above either directly or through an entity controlled by the Regents.
2. The following business terms will be required in connection with the closing of the Proposed Transactions:
 - A. Purposes/Mission: The Proposed Transactions shall be in furtherance of UCSFH's mission of promoting health and expanding access to healthcare services for a broad cross-section of the community and consistent with its clinical and academic purposes.
 - B. Capital Commitment: UCSFH will commit no more than \$100 million in consideration to acquire the assets included as part of the Proposed Transaction. In the event UCSFH does not commit to pay the total negotiated consideration at closing, UCSFH will pay the balance of the total consideration, as may be adjusted by customary post-closing adjustments and indemnification obligations, over no longer than a seven-year term.
 - C. Excluded Liabilities. Except for the specific liabilities negotiated in connection with the definitive agreements executed to effectuate the Proposed Transactions, UCSF will not assume or be liable or responsible for any of the liabilities of CSH (or any affiliate of CSH), including debt and other liabilities relating to the assets included in the Proposed Transaction, incurred prior to the closing of the Proposed Transaction.

- D. Policies Applicable to Acquired Assets: As a condition to closing the Proposed Transaction, all assets will be deconsecrated. Thus, as of the closing date, neither the Ethical and Religious Directives nor the Statement of Common Values will apply to the facilities nor govern facility operations, policies, or staff.
 - E. System-Wide Initiatives: Nothing in any agreement signed in connection with the Proposed Transaction shall bind the University as a whole, UC Health, or any UC campus or medical center other than UCSF; and all definitive agreements shall preserve UCSF's right to participate directly or through new companies in systemwide (i.e., UC Health) initiatives.
3. The President or his designee, after consultation with the Office of the General Counsel, and following action pursuant to the California Environmental Quality Act (“CEQA”), be authorized to approve and execute any agreements reasonably required to implement the foregoing, including any subsequent agreements, modifications, or amendments thereto, *provided* that such agreements, modifications, amendments or related documents are materially consistent with the terms above, and do not otherwise materially increase the obligations of the Regents or materially decrease the rights of the Regents.

BACKGROUND

UCSFH is seeking approval to enter into one or more transactions pursuant to which the Regents or an entity solely owned by the Regents will acquire certain San Francisco assets of CommonSpirit Health (“CSH”), including: (1) St. Mary’s Medical Center (“SMMC”); (2) Saint Francis Memorial Hospital (“SFMH”); (3) ancillary outpatient clinic assets associated with the operation of SMMC and SFMH, including certain assets of an affiliated medical foundation (“**Medical Foundation**”); and (4) certain assets of St. Mary’s Medical Center Foundation and/or Saint Francis Charitable Foundation (consolidated philanthropy organizations) (“**Charitable Foundation(s)**”).

This is an important opportunity for UCSFH to build on its long history of caring for San Francisco. The wellbeing of San Francisco depends on preserving and expanding community-based resources to support behavioral and women’s health, as well as surgical services. SMMC and SFMH are vital to their neighborhoods, and the unique services they provide – some of which are the only ones of their kind in San Francisco – are valuable to the entire community. UCSFH plans to retain and strengthen those services. In addition, the acquisition will allow UCSFH to increase its investment in the health of San Francisco at a time when major cities – including San Francisco – face economic and infrastructure challenges.

The acquisition will also help UCSF Health meet the health needs of more people in the community who are underserved. Dignity Health is currently the largest provider of Medi-Cal services in California. As UCSFH transitions the ownership of these facilities, it will continue to honor its shared commitment to improve the health of vulnerable populations, regardless of their ability to pay.

In addition to facilitating continuity of these critical services, UCSFH will be able to serve San Francisco patients more effectively, in a way that enhances patient experience and lowers the burden on physicians and staff. UCSF Helen Diller Medical Center currently averages 94 percent occupancy, well above the industry standard for optimal efficiency. Balancing patients across several emergency departments under UCSF faculty and staff oversight will allow for more timely and effective service to the patients who need these services most. Developing more UCSFH services across the City and County will, over time, allow UCSFH to see more of the 1,000 San Francisco patients currently seeking hospital care outside of San Francisco annually due to existing capacity constraints.

Finally, as UCSFH completes construction at Parnassus Heights, it is expected that some operations may temporarily be taken out of service, including beds, operating rooms, cardiac catheterization laboratories, and imaging modalities. UCSFH's financial strength and ability to support its various public service, research, and teaching missions will be jeopardized if it continues to operate with insufficient capacity, especially during the Parnassus tower construction. The access to additional beds under this transaction will help UCSFH manage patient demand during the nine-year construction timeline for the new hospital at Parnassus Heights.

CommonSpirit Health Overview

In 2019, following California Attorney General conditional acceptance, Dignity Health merged with Catholic Health Initiatives (“**CHI**”), and their respective operations were combined into a single national nonprofit health system called CommonSpirit Health. Now one of the nation's largest nonprofit healthcare systems with more than 1,000 care sites and 140 hospitals in 21 states, CSH is the sole member of Dignity Health and Dignity Community Care. In the City and County of San Francisco, CSH owns and operates two general acute care hospitals: SMMC and SFMH.

As illustrated in more detail in the diagram included in [Attachment 1](#), CSH is the sole corporate member of Dignity Health and controls the Colorado nonprofit corporation, Dignity Community Care, which is the sole corporate member of the nonprofit corporation that owns and operates SFMH.

SMMC and SFMH Overview

St. Mary's Medical Center is a 275-bed acute care hospital located in San Francisco, California. The Catholic hospital and its related outpatient assets and ventures are owned and operated by the Dignity Health corporation (ultimately controlled by CommonSpirit Health). Founded by the Sisters of Mercy in 1857, SMMC is one of the longest continuously operating hospitals providing care for the San Francisco community. Currently, SMMC has on average a licensed bed occupancy of 26 percent with approximately 4,000 annual discharges and an Earnings Before Interest, Depreciation and Amortization (“**EBIDA**”) loss of \$22 million. The SMMC-associated assets owned by Dignity Health include a psychiatric hospital tower, two medical office buildings, and a parking lot. There are two significant leases at the hospital: 1) Kentfield Unit Lease for a 60-bed long-term acute care hospital; and 2) Crestwood Healing Center Lease for a 54-bed behavioral health stabilization unit. In addition, SMMC leases a clinic at San Francisco International

Airport. See Attachment 2 for additional information on the SMMC assets UCSFH is considering acquiring.

Saint Francis Memorial Hospital is a 294-bed acute care hospital located in San Francisco, California. As a non-Catholic hospital, SFMH is owned and operated by the Colorado nonprofit corporation, Dignity Community Care (ultimately controlled by CommonSpirit Health). The hospital was founded by physicians in 1905 and currently has the largest intensive care burn unit in Northern California (16 beds). SFMH has on average a licensed bed occupancy of 23 percent, with approximately 4,500 annual discharges and an EBIDA loss of \$32 million. In addition to the acute care hospital, SFMH owned assets include two medical office buildings and a freestanding parking structure proximate to the hospital, as well as two clinic leases located at the San Francisco Giants' Oracle Park stadium and in the City of Walnut Creek. See Attachment 2 for additional information on SMMC's assets.

In addition to the acute care hospital assets, Dignity Health is the sole corporate member of Dignity Health Medical Foundation (“**DMHF**”), a nonprofit medical foundation whose San Francisco operations include 19 providers practicing at the SMMC and SFMH facilities.

Many of the economic and operational challenges facing many hospitals are acutely impacting SMMC and SFMH in San Francisco, including physician and staff workforce and inflationary pressures.

Transaction Scope

The Proposed Transaction will involve the acquisition of CSH's two San Francisco hospitals (SMMC and SFMH, both operated under the Dignity Health name) and related assets. In addition to the hospitals, UCSFH may acquire certain assets of DHMF, a nonprofit medical foundation whose physicians and other licensed health professionals deliver primary, specialty, and urgent care services. UCSFH may also acquire up to four on-campus medical office buildings, a freestanding parking structure, and clinic leases in the San Francisco Giants' Oracle Park stadium (Willie Mays Plaza), San Francisco International Airport, and the City of Walnut Creek. Attachment 2 provides a list of the real property assets which may be included in the transaction.

Proposed Transaction Process

If UCSFH is authorized to move forward with the Proposed Transaction, the parties will negotiate and finalize definitive agreements setting forth the terms of the Proposed Transaction consistent with the results of due diligence, legal and regulatory compliance requirements, and other relevant factors (the “**Definitive Agreements**”). The Definitive Agreements will contain customary closing conditions, representations by both CSH and UCSFH, and indemnification by CSH for certain liabilities not disclosed to UCSFH prior to closing.

Following the execution of Definitive Agreements, the parties will prepare and file all necessary applications, notices and consent requests with the applicable third parties and regulatory agencies.

The closing of the Proposed Transaction will only occur after the parties have received all required consents and approvals. All acquired assets will be deconsecrated prior to closing.

Program Considerations

UCSFH intends to continue operating SMMC and SFMH as full-service community hospitals, facilitating continued access to the critical programs each hospital uniquely provides to the San Francisco community.

While UCSFH does not plan to fundamentally change the programs at either hospital, it does expect to use available beds and procedural space that are not currently being used by offering these additional locations as options for UCSFH patients whose conditions can be appropriately treated in a community hospital setting. On a combined basis across SMMC and SFMH, the result will be 22 percent growth in occupancy and a 2 percent improvement in commercial payor mix over a five-year period.

UCSFH intends to continue the leases in place for long term acute care and behavioral health stabilization at the SMMC hospital, as they are in great demand and complementary to services offered at existing UCSFH facilities.

This transaction will have no effect on the programming of the Parnassus Heights hospital project as there are different levels of care complexity and program mix projected for each of UCSFH's campuses. Specifically, the available space at SMMC and SFMH cannot be configured for the necessary operating rooms, critical care services, and interdisciplinary care needs of contemporary tertiary/quaternary care. Following the completion of the new Parnassus Heights campus in 2030 and when the California 2030 seismic standards are in effect, UCSFH will continue to utilize the SMMC and SFMH facilities to address patient demand for care, tailoring programming of the facilities based on evolving patient needs.

Financial Considerations

UCSFH will pay CSH and/or its affiliates total consideration of less than \$100 million dollars in connection with the Proposed Transaction using cash reserves. The consideration may include commitments for ongoing capital expenditures and operating obligations, and it could be adjusted based on factors such as net working capital, assumption of debt and liabilities, and other relevant considerations.

Fair Market Valuation

The expected purchase price is supported by a fair market value assessment conducted by Kaufman Hall & Associates, LLC, a recognized healthcare financial and strategy firm with over 40 years of experience supporting healthcare organizations. The appraisal completed by Kaufman Hall indicates a range of \$120,700,000 to \$191,700,000 for both SMMC and SFMH and related assets (including the onsite medical office buildings and parking structures) and is based on a cost methodology. This valuation accounts for the expected seismic investments required to continue existing services at both hospitals past the current California seismic deadline of 2030.

Assuming the maximum consideration of \$100 million, the acquisition value is significantly discounted on a range of metrics. The real estate includes 569 total licensed hospital beds and 1,231,598 gross square feet of owned hospital and medical office building spaces. The maximum acquisition value equates to \$175,747 per bed and \$81 per gross square foot.

Facility Capital Investment Plan

The financial projection contemplates capital investment in infrastructure, equipment and seismic improvements. At this stage, the projection is preliminary, and future capital improvements will be coordinated with the annual Capital Financial Plan and subjected to further review and approval by the Regents. The existing UCSFH capital plan may be modified to eliminate or reduce certain components that are no longer necessary as a result of the acquisition. Additionally, UCSFH intends to install its electronic medical record at both SMMC and SFMH to support clinical integration across all UCSFH hospitals. UCSFH will assess patient need over time to determine the need for seismic improvements at the hospitals and will seek opportunities to coordinate services for the benefits of patients, physicians and staff across all UCSFH sites. Table 1 shows the preliminary capital investment plan used for the financial feasibility analysis.

Table 1. Preliminary Capital Investment Plan**

Categories (\$000s)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	6-Year Total
Acquisition Capital* + Net Working Capital	(50,896)	(7,500)	(7,500)	(7,500)	(7,500)	(7,500)	(95,896)
Seismic and Renovation Capital	(21,724)	(15,000)	(13,052)	(9,947)	(25,217)	(42,631)	(127,571)
EPIC and IT integration	(41,126)	(41,126)	-	-	-	-	(82,251)
Routine & Ongoing Capital	(11,700)	(9,318)	(10,255)	(10,649)	(11,057)	(11,331)	(64,310)
Total	(125,446)	(72,944)	(30,807)	(28,096)	(43,774)	(61,462)	(370,028)

* Year 7 Final Acquisition Capital Included in 6-Year total amount (\$7.5M)

** Future Capital Requests would follow relevant UC capital approval process

The maximum consideration for the Proposed Transaction is \$100 million with the first payment at close of transaction and subsequent payments over a 7-year term.

Financial Feasibility

UCSFH is pursuing the Proposed Transaction driven primarily by its mission and commitment to providing access to quality care. While UCSFH is dedicated to minimizing any potential negative financial impact, its leaders acknowledge that a certain level of financial loss may be tolerable in the pursuit of its mission. The financial analyses take this into account, ensuring that UCSFH’s strategic decisions align with its mission of providing quality care and enhancing access.

On a combined basis the Net Present Value (“NPV”) of the overall project is accretive to UCSFH with a positive NPV of \$25 million. This includes operational efficiencies, capacity, optimization and utilization efforts for UCSFH, including the opportunity to “backfill” - or more optimally utilize UCSF Medical Center for complex care services instead of secondary care services. The cumulative backfill opportunity at UCSF Medical Center includes an approximately \$107 million contribution margin over the projection period. The financials represent a transitional plan prior to the new hospital opening and therefore represents six-year projection ending in 2030.

Table 2. Preliminary Combined Financial Summary

Saint Mary & Saint Francis Combined Financial Summary						
Description (\$000s)	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>
Total Revenue	\$521,517	\$624,707	\$701,715	\$739,949	\$766,036	\$786,127
Total Expenses	(\$529,755)	(\$610,540)	(\$685,874)	(\$717,741)	(\$737,461)	(\$757,211)
Operating EBIDA	(\$8,237)	\$14,167	\$15,842	\$22,208	\$28,575	\$28,917
Operating EBIDA Margin %	-1.6%	2.3%	2.3%	3.0%	3.7%	3.7%

Other Key Terms & Considerations

Employee Matters: Subject to ongoing due diligence and integration planning activities, compliance with applicable UCSFH policies and successful completion of standard background checks and other onboarding procedures, UCSFH intends that substantially all active CSH employees working at the facilities and clinics included in the Proposed Transaction will ultimately be part of UCSFH.

Physician Matters: UCSFH anticipates that the physicians currently employed by the Medical Foundation in clinics that support CSH’s San Francisco operations will be offered employment with UCSFH or another UCSFH-designated entity as of or after Closing, subject to UCSFH’s physician vetting and credentialing processes, screening requirements and other conditions of employment.

Patient Care Matters: Continued patient care is a top priority. UCSFH intends to work to avoid disruptions in the quality and continuity of care provided to current patients of SMMC, SFMH, and the Medical Foundation as a result of the Proposed Transaction.

UCSF Brand and Quality: Any use of the UCSF or University of California name by the acquired facilities will be subject to and consistent with University policies governing use of the University’s name and marks and appropriate licensing agreements. UCSF will pursue a pre-vetting and subsequent UCSF credentialing process for the providers at SMMC and SFMH. Credentialing of providers meeting the pre-vetting thresholds will rely on the standard UCSF Office of Medical Affairs and Governance and credentialing processes for affiliate providers. The two hospitals and their providers, subject to review, will be incorporated into existing UCSF Health affiliates standing committees: Peer Review, Quality and Safety, and Credentials and Affiliate Medical Board.

Academic and Research Mission: SMMC and SFMH will provide UCSF trainees access to experience in a community-based hospital setting. Pending Clinical Chair discussions, UCSF will determine a mechanism to either adopt the current Graduate Medical Education (GME) programs at the hospitals or to align them with UCSFH’s existing GME programs.

July 19, 2023

Community Benefit: UCSFH is committing to maintain key programs at both SMMC and SFMH in order to continue providing services to address community needs in San Francisco.

Charitable Foundations: The UCSF Foundation may acquire certain assets or operations of St. Mary's Medical Center Foundation and Saint Francis Foundation or may agree with CSH to certain contractual commitments by such foundations to continue to support SMMC and SFMH after closing.

Sponsorship: SMMC, SFMH and any other facilities, clinics or entities included within the Proposed Transaction will be deconsecrated at or before the closing; the Roman Catholic Church, its related dioceses, and all other religious sponsors will cease their sponsorship of those facilities. As a result, the Ethical and Religious Directives will no longer be applicable at SMMC, and the Statement of Common Values will no longer be applicable at SFMH.

Risks

While the Proposed Transaction carries inherent risks, UCSFH is committed to holistically evaluating and mitigating these risks thorough due diligence, vigorous negotiations of definitive agreements, and comprehensive pre- and post-acquisition integration planning.

Scope of Due Diligence

UCSFH is working with internal subject matter experts at UCSF and the Office of the President (UCOP) and with external counsel, advisors, and consultants to complete due diligence for both hospitals and the related assets in the following domains:

- Facility Conditions Assessment
- Facility Environmental and Safety Review, including Hazardous Materials
- Financial, Information Technology Security, and Billing/Coding Compliance and Review
- Financial Modelling and Valuation
- Human Resources
- Legal, Regulatory, Contracts, and Compliance Review
- Medical Staff Governance and Provider Network
- Real Estate Matters
- Seismic Review and Assessment

Based on the due diligence review completed to date, UCSFH's risk and risk mitigation planning will focus on the following:

- **Financial Performance:** To turn around the hospitals' financial performance, UCSFH must operate them efficiently and optimize clinical operations in a way that covers operating costs. It is anticipated that current underutilization of licensed beds will be addressed by patients who are unable to access services at the Parnassus and Mission Bay campuses and faculty who currently lack sufficient facilities to schedule visits and procedures. In addition, UCSFH must develop an integration plan that accounts for the community based hospital setting and establishes appropriate operational standards and shared metrics in order for UCSFH to meet its patient access goals.

- **Seismic / Facility Investments:** UCSFH intends to minimize its upfront acquisition cost and infrastructure investments to provide maximum flexibility to match needed investments to the needed services. Decisions regarding seismic improvements will be based on completion of real estate due diligence of the owned and leased assets included within the Proposed Transaction. Pursuant to the University's Seismic Safety Policy, UCSF is in the process of conducting a review of the structural design and integrity of the non-hospital properties included among the assets within the scope of the Proposed Transaction.
- **Workforce and Medical Staff Integration:** Effective and efficient workforce integration, free of disruption to services or to team members, is essential to achieving the ultimate goals of the transaction. UCSFH is focusing on identifying and proactively addressing issues or challenges that can be anticipated in these areas.

Integration Planning

To support a successful transition post-acquisition, UCSFH has begun to identify dedicated internal and external subject matter experts to facilitate integration planning and implementation.

In order to ensure continuity of key services for the two hospitals, UCSFH will pursue a Transition Services arrangement with CSH or its affiliates. Through this arrangement and consistent with industry practice, they will provide to UCSFH certain transition services up to 24 months following the closing and pursuant to such other terms and conditions to be mutually agreed to by CSH and UCSFH. Transition Services may include, but are not limited to, financial, accounting, human resources, supply chain, physician support services, information technology, revenue cycle management, and other services agreed identified as necessary to ensure a smooth transition from CSH to UCSFH.

UCSFH will establish a full-time integration team with internal leadership and external support. The integration team will include three leaders (administrative, physician, and nursing) who will report to the UCSFH Affiliates Network President. These leaders will be supported by UCSFH functional area leaders in quality, finance, human resources, real estate, clinics and information technology services, and others identified by the system executive team. The integration team will select outside consultant(s) to support the transition and long-term integration of the hospitals based on identified needs during due diligence and the transition period. Integration reports will be presented to the CEO of UCSFH and the system executive team on at least a monthly basis for the first 24 months following the acquisition.

Risk of Not Pursuing the Transaction

Not pursuing this transaction will hinder UCSFH's ability to achieve three crucial objectives: (1) ensuring patients' safe and timely access to essential clinical services; (2) meeting demand for its highly specialized clinical programs; and (3) maintaining a level of financial performance necessary to support its tripartite mission. UCSFH's leadership regards the Proposed Transaction as the sole solution to meet these requirements efficiently within San Francisco.

Legal and Regulatory Considerations

CSH Approvals. The Proposed Transaction will be subject to several internal corporate approvals from CSH and related affiliates (as applicable) prior to closing. In addition, CSH will need to complete a formal process involving approvals from its sponsor, Catholic Health Care Federation, and the Catholic Church in order to deliver the assets in the Proposed Transaction free of any Catholic sponsorship, Ethical and Religious Directives, or Statement of Common Values, obligations.

Regulatory Matters. In addition to the work of internal counsel, UCSFH has retained outside counsel to help it assess legal and regulatory risks of the transaction and to assist with structuring the transaction and drafting definitive agreements. UCSFH expects that certain regulatory approvals may be required for the Proposed Transaction. In connection with the negotiation and execution of the Definitive Agreements the parties will make all necessary filings under any applicable federal and California law. In addition, certain aspects of the transaction may require that certain state licenses and certifications be transferred to, or acquired by, UCSFH and/or SFMH. The Definitive Agreements will provide that the closing will occur after receipt of any required regulatory approvals and mutually agreed-upon third-party consents set forth therein, as well as the satisfaction of other mutually agreed-upon closing conditions that are customary for transactions of this size, type, and complexity.

SMMC and SFMH remain subject to certain operating conditions imposed by the California Attorney General in connection with the 2019 transaction between Dignity Health and CHI, including a requirement that CSH provide the Attorney General with sixty (60) days' advance notice prior to entering into an agreement to sell the hospitals. UCSFH anticipates working closely with the California Attorney General and CSH to address any required obligations in connection with the successful completion of the Proposed Transaction.

Legal and Economic Risk. As noted above, the Definitive Agreements will contain representations and warranties by CSH that are typical of a transaction of this size and complexity, and CSH will be asked to indemnify UCSFH for certain undisclosed liabilities assumed by UCSFH as part of the Proposed Transaction. The details of the representations and warranties, and the extent of agreed-upon indemnification by CSH, will be negotiated by the parties.

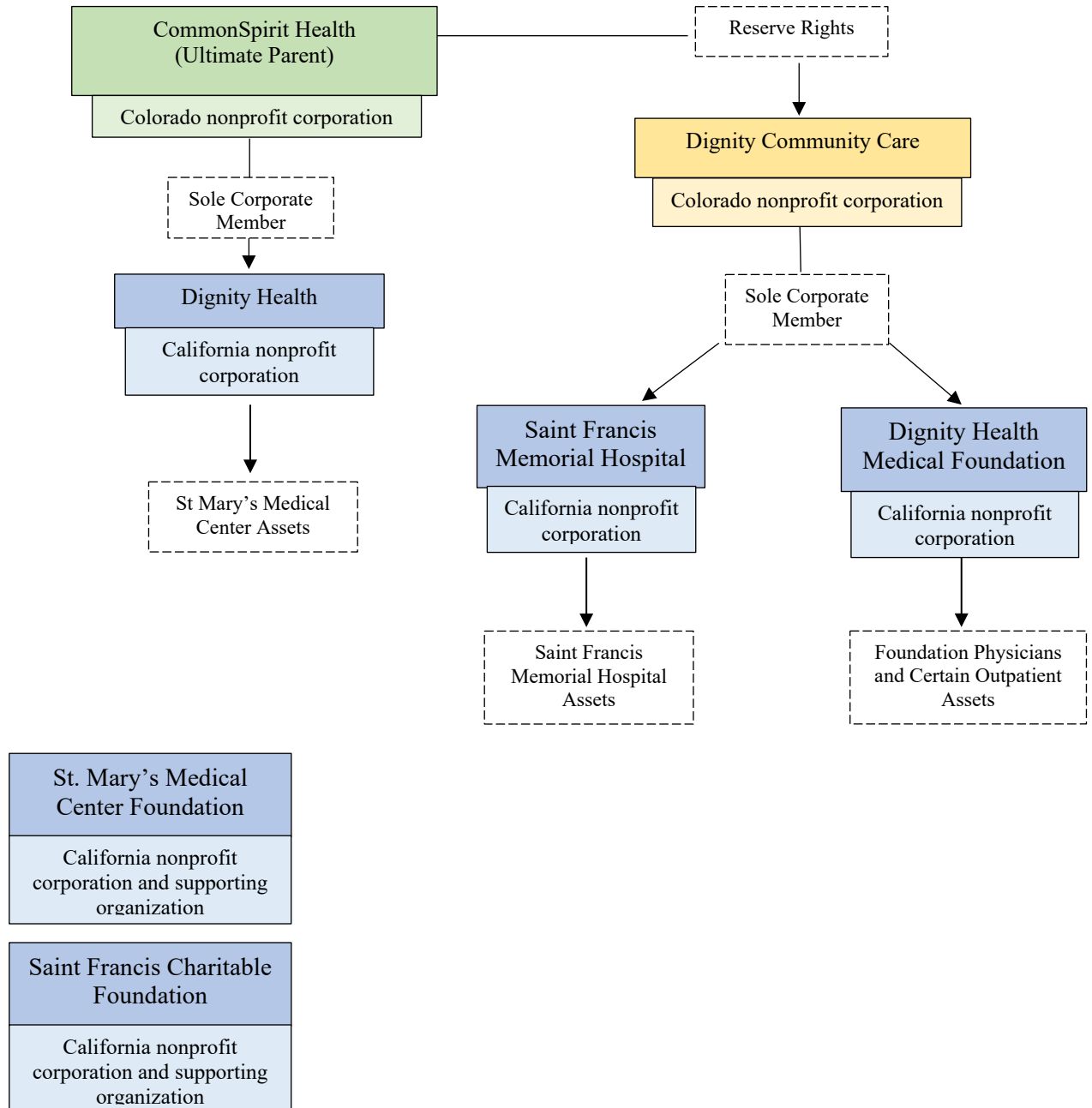
Environmental Review. The Regents proposed actions will be approved and executed following appropriate actions necessary to achieve compliance with the California Environmental Quality Act ("CEQA"). The proposed Regents action is expressly conditioned on compliance with CEQA, and CEQA compliance is an essential step for the potential acquisition. The proposed Regents action in no manner constrains the University's authority to modify the Proposed Transaction as may be necessary to reduce or avoid significant environmental effects identified during the CEQA process or to consider feasible alternatives or mitigation measures to such development. The proposed action does not constitute a decision by the Regents as to whether to undertake the transaction, nor does it constitute an approval under CEQA of any modifications to the assets that may be acquired.

UC Health Considerations

The Proposed Transaction is specific to UCSFH and does not affect the rights, obligations, or activities of any other UC medical center or location. There will be no restrictive covenants in the transaction documents that will prevent UCSFH from engaging in any activity or participating in any UC Health systemwide activity, program, or initiative.

ATTACHMENT 1

CommonSpirit Health Organizational Chart



ATTACHMENT 2

Real Property Included in the Proposed Transaction

The combined owned parcels on the St. Mary’s Medical Center and Saint Francis Memorial Hospital campuses to be included in the Proposed Transaction reflects a total of 7.95 acres.

Dignity Health, SMMC, owns the following parcels, to be included in the Proposed Transaction:

Address	Type	Building Size (Sq ft)	Key Features
450 Stryan St., San Francisco, CA	Acute Care Hospital	402,799	<u>Licensed Space:</u> <ul style="list-style-type: none"> ▪ 167 Med Surg Beds ▪ 37 Intensive Care Beds ▪ 36 Acute Rehabilitation Beds ▪ 9 Operating Rooms ▪ 3 Cath Labs <u>Leased Space:</u> <ul style="list-style-type: none"> ▪ Kentfield Long Term Acute Care Unit: Lease Expires in 2026; Space - 27,297 sq ft; 60 beds (6th floor) ▪ Crestwood Stabilization Unit: Lease Expires in 2028; Space – 26,857 sq ft; 54 beds (5th floor)
2200 Hayes St., San Francisco, CA	Psychiatric Hospital	41,198	35 Beds
One Shrader St., San Francisco, CA	Medical Office Building	55,000	10 medical offices/clinics; parking
2250 Hayes St., San Francisco, CA	Medical Office Building	75,362	24 clinic / administrative spaces; parking

Dignity Community Care, SFMH owns the following parcels, to be included in the Proposed Transaction:

Address	Type	Building Size (Sq ft)	Key Features
900 Hyde St., San Francisco, CA	Acute Care Hospital	470,856	<u>Licensed Space:</u> <ul style="list-style-type: none"> ▪ 205 Medical/Surgical Beds ▪ 20 Acute Rehabilitation Beds ▪ 10 Intensive Care Beds ▪ 8 Coronary Care Beds ▪ 16 Intensive Burn Care Beds ▪ 11 Operating Rooms ▪ 35 Psychiatric Beds
909 Hyde St., San Francisco, CA	Medical Office Building	93,796	35 medical offices/clinics; administrative spaces; parking
1199 Bush St., San Francisco, CA	Medical Office Building	80,987	21 medical offices/clinics; administrative spaces; parking
1234 Pine St., San Francisco, CA	Parking Lot	11,600	Freestanding, attended parking garage

St. Mary's Medical Center



Saint Francis Memorial Hospital



Dignity Health, St. Mary's Medical Center, leases the following parcels, which will be included as a lease transfer in the Proposed Transaction:

- San Francisco International Airport, International Terminal, Level 3, San Francisco, CA: Medical Clinic

Dignity Community Care, Saint Francis Memorial Hospital leases the following parcels, which will be included as a lease transfer as part of the Proposed Transaction:

- 24 Willie Mayes Plaza, San Francisco, CA: Medical Clinic known as "Saint Francis Health Center at the Ballpark" which currently has three clinic units: (1) Occupational Health Center (lease expires 12/2029), (2) Outpatient Physical Therapy Clinic (lease expires 11/2024), and (3) the Dignity Health Medical Foundation Clinic (lease expires 11/2024)
- 1777 Botelho Drive, Walnut Creek, CA: Medical Clinic that is a Center for Sports Medicine and Therapy.