



Health Care Market Oversight (HCMO) Program Request for Emergency Exemption from Material Change Transaction Review

A health care entity should complete this form to request emergency exemption from material change transaction review. Under OAR 409-070-0022, Oregon Health Authority (OHA) may exempt an otherwise covered transaction from review if there is an emergency situation that immediately threatens health care services, and the proposed transaction is urgently needed to protect the interest of consumers and to preserve the solvency of an entity.

Submit this completed form to hcmo.info@dhsaha.state.or.us. OHA may request additional information or discussion as needed to determine emergency exemption status. OHA will post the completed form on the Health Care Market Oversight Program website for public comment in accordance with OAR 409-070-0022.

1. Name, title, organization, and email address of the individual completing this form on behalf of the entity.

Name	Jonathan L. French and Darius Hartwell
Title	Attorneys for The Corvallis Clinic, P.C.
Organization	Schwabe, Williamson & Wyatt, P.C.
Email Address	jfrench@schwabe.com and dhartwell@schwabe.com

2. List the legal name(s), and if different, the “doing business as” name(s), of the other entity or entities involved in the transaction.

Optum Oregon MSO, LLC (“Optum Oregon”).

3. Is the transaction urgently necessary to maintain the solvency of an entity involved in this transaction?

Yes No

If yes, explain why and include a complete statement of the facts, circumstances, and conditions which justify emergency exemption.

The transaction is urgently necessary to maintain the solvency of The Corvallis Clinic. The Clinic’s financial condition has materially deteriorated since the initial filing of a Notice of Material Change Transaction in connection with the proposed transaction on December 5, 2023 and has continued to decline during the ongoing preliminary review period. Since the time that the various risks were outlined in the parties’ Written Responses to

Supplemental Information Requests (see e.g. items, 8, 9, and 19) [REDACTED] submitted to OHA on December 22, 2023 and February 1, 2024 in connection with the Notice of Material Change Transaction, the Clinic has determined that a prompt closing of the proposed transaction is the only viable path to avoiding these risks and maintaining local access to primary and specialty medical care and services within the service area of The Corvallis Clinic. Because of the Clinic's lack of stability from a cash perspective (more fully described in response to Item 4 below), the Clinic simply doesn't have time to undergo continuing regulatory review without necessitating further cost-cutting measures that would almost certainly negatively impact care before the time that the Clinic would be potentially forced to close its doors. Similarly, in the event of any failure to close the proposed transaction in the immediate term, the Clinic would not have time to negotiate a transaction with another party, even if such a party were to emerge. The Clinic is unaware of any public or private source of capital that would be available to the Clinic to stabilize its operations. The Corvallis Clinic continues to believe that Optum is the strongest transaction partner, just as it did when it entered into negotiations with Optum in early 2023. Now, in early 2024, as the financial condition of the Clinic has worsened, The Corvallis Clinic is also of the belief that the proposed transaction with Optum is likely the only way it can maintain solvency and continue to provide care to the community.

4. When is the threatened entity anticipated to become insolvent without this proposed transaction? (e.g., how many days cash on hand does the entity have?)

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

5. Is the transaction in the interest of consumers?

Yes No

If yes, explain why and include any other relevant information not already provided

that justifies the emergency exemption.

Please see Notice of Material Change Transaction (responses to items 6 through 10).

6. Provide a detailed explanation of all the terms, conditions and agreements of the transaction and the manner in which such terms, conditions and agreements will respond to the conditions necessitating expedited consideration of the emergency exemption application (e.g., how will the transaction change ownership/governance, how will the transaction change providers or support staff). You may attach supporting documents if helpful.

As a general matter, the proposed transaction will directly respond to and alleviate the underlying conditions that necessitate the emergency exemption. The change in ownership resulting from the proposed transaction will provide additional access to working capital in the short term. This access to additional capital will allow The Corvallis Clinic to continue to pay rent, payroll, and other expenses in a timely manner and will avoid a more severe liquidity crisis. The potential transaction will stabilize the business, and should serve to improve employee, patient, and community confidence in the ongoing operation of The Corvallis Clinic's facilities at or above the pre-transaction service levels. In the medium- and long-term, Optum Oregon will address The Corvallis Clinic's current operational challenges, and The Corvallis Clinic will benefit from Optum Oregon's operational standards and efficiencies.

Pursuant to the proposed transaction, The Corvallis Clinic may retain the current team of over 600 providers and support staff, and more stable operational conditions will improve the Clinic's ability to attract and retain high-quality candidates for open positions. The proposed transaction will alleviate the specific financial pressures described in the parties' Written Responses to Supplemental Information Requests (see e.g. items, 8, 9, and 19) [REDACTED] submitted to OHA on December 22, 2023 and February 1, 2024 in connection with the Notice of Material Change Transaction.

Please also see the following previously submitted materials: Notice of Material Change Transaction (responses to items 6 and 7), the Merger Agreement (Appendix A), and the Management Services Agreement (Appendix B).

7. Has any entity involved in the material change transaction engaged with consumers about the proposed transaction and received input from consumers?

Yes No

If yes, describe.

Prior to this application for emergency exemption, the proposed transaction has elicited substantial public attention and input.

8. As a result of the emergency transaction, will there be a significant reduction or elimination of essential services?¹

No. The transaction is expected to maintain essential services at or above current levels.

9. Ideally, by what date does the applicant want a decision from OHA?
Note that OHA will strive to accommodate an expedient review of this application for emergency exemption but must consider each application on a case-by-case basis.

Based on the circumstances outlined in the responses to items 3 through 6, above, the applicant requests the most expedient possible review and decision on approval of the application.

¹ Please see Essential Services and Significant Reduction Guidance document:
<https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/HCMO-Essential-Services-and-Significant-Reduction-Guidance-FINAL.pdf>
DH 2022-0221