

*Final Version for Signature  
6/14/21 Unanimously Approved by Beaumont Health Board of Directors  
6/14/21 Unanimously Approved by Spectrum Health System Board of Directors*

**LETTER OF INTENT**  
*For Michigan, By Michigan*

**THIS LETTER OF INTENT (“LOI”)** is made and entered into as of June 16, 2021, by and between **BEAUMONT HEALTH**, a Michigan nonprofit corporation (“Beaumont”), and **SPECTRUM HEALTH SYSTEM**, a Michigan nonprofit corporation (“Spectrum Health”). Beaumont and Spectrum Health are sometimes referred to in this Agreement individually as a “Party” and collectively as the “Parties.”

**PURPOSE AND VISION**

Beaumont and Spectrum Health have a shared goal to create a new Michigan-based nonprofit integrated health system, enhancing their exceptional cultures to transform health care and coverage in Michigan (the “System”). The transactions and processes needed to accomplish this shared vision for establishing the System are sometimes referred to herein as the “Integration.”

The Parties are undertaking this Integration to develop a permanent organization that will effectively and efficiently integrate health care services and health care coverage to: (1) improve health, health access, and health equity; (2) enhance consumer experience; (3) improve the quality, value, and outcomes of health care; (4) make health care more affordable for the communities we serve; and (5) ensure the voices of team members and physicians are heard.

**OUR GUIDING PRINCIPLES**

**1. For Michigan, By Michigan: Environmental Background.**

- a. ***Current Health Care Environment.*** Every day, the health care field solves complex, clinical challenges and helps countless people become more healthy and well. And as we have seen during the COVID-19 pandemic, health care’s focus on prevention of illness is a critically important community resource. Yet, health care needs to be more affordable, deliver greater and more equitable health care outcomes and help people be and stay healthy. A heightened focus on prevention, affordability, value, experience, and people is critical to make a positive impact on health care outcomes and our community’s health.
- b. ***Michigan Considerations.*** Although substantially influenced by national trends and factors, health care remains largely local. Beaumont and Spectrum Health are equally committed to serving Michigan and share many common values – most importantly a passion for improving health and serving our communities. Each organization believes that delivering care locally in their service areas is critically important for healthy, strong and vibrant communities. The Parties are uniquely positioned within Michigan as nearby, non-overlapping, health systems to collaborate, innovate, advocate and deliver higher quality and more personalized,

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patient-centered care to better serve our communities. We will be able to align on and achieve cost efficiencies from shared, and where feasible, integrated services with the goal of delivering an exceptional patient and member experience while benefiting from economies of scale.

- c. **Beaumont.** Beaumont is committed to delivering on its stated mission of “compassionate, extraordinary care every day” and becoming the leading high-value health care network in Michigan focused on extraordinary outcomes through education, innovation and compassion. Beaumont recognizes that to achieve this vision in a rapidly changing environment, it must build on its unique strengths and align with organizations that are also dedicated to improving outcomes in our communities.

Beaumont is a nationally recognized leader in clinical care, with three U.S. News and World Report nationally recognized hospitals and 19 nationally recognized specialties. Furthermore, Beaumont’s unique relationship with Oakland University William Beaumont School of Medicine and research infrastructure, as well as its relationships with both Wayne State University and Michigan State University for clinical training programs, enables the organization to accelerate clinical innovation and train the next generation of clinicians to improve the health of the community by delivering exceptional patient and family centered care.

- d. **Spectrum Health.** Spectrum Health believes health can and should be better, and is reimagining a better model of health for all. Spectrum Health is leading with a bold vision: “Personalized health, made simple, affordable and exceptional.” Spectrum Health’s mission – to Improve Health, Inspire Hope and Save Lives is supported by its values of Compassion, Collaboration, Curiosity, and Courage. People are at the heart of everything Spectrum Health does, driving its teams’ passion, innovation and solutions.

With a track record of excellence in quality and safety, Spectrum Health’s nationally recognized integrated health system works collaboratively to offer high-quality, seamless health experiences close to home. By connecting its health insurance company, Priority Health, with its physicians and hospitals, Spectrum Health leverages its shared expertise to create innovative, affordable, consumer-focused health solutions. Spectrum Health values our relationships with our partners to achieve value and clinical excellence.

- 2. **For Michigan, By Michigan: Our Unique Opportunity Together.** By combining as one system, Beaumont and Spectrum Health will bring greater value to communities across Michigan. The combined organization is committed to (1) improving health and health equity; (2) enhancing consumer experience; (3) improving the quality, value, and outcomes of health care; and (4) making health care more affordable for the communities we serve; and (5) ensuring the voices of team members and physicians are heard.

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The Parties' shared vision for how they may together transform health care for Michigan, by Michigan is grounded in the following five (5) "Guiding Principles":

- a. ***Principle #1: Community Engagement*** – Our communities have a history of being engaged with how care is delivered and improved. We believe the best way to run a community-guided health system will be through local control, learning from and building off one another.
- b. ***Principle #2: Physician, Clinician and Team Member Involvement*** – Physicians, nurses, and other team members who are closest to the people we serve have built cultures of excellence, innovation, and inclusion. Their input and experience will be critical to realizing the mission and vision of the combined organization. Together, we can do more to attract and retain top health professionals to live and work in Michigan.
- c. ***Principle #3: Exceptional Health Care Outcomes for All*** – A continued focus on improving quality and safety, providing exceptional and equitable health care outcomes for all patients, health plan members, our communities and team members will always be at the center of our work. In particular, each organization's efforts to promote health equity among under-represented populations will be prioritized.
- d. ***Principle #4: Competitive Value*** – The strengths of our two organizations allow us to operate more efficiently to deliver affordable care and coverage. We will also collaborate and work with other health systems and insurance companies to achieve affordable care and coverage.
- e. ***Principle #5: Positioned to Thrive*** – The creation of a new system by Michigan's two top health systems, including the nation's third largest provider-sponsored health plan, will enable us to invest in innovative and digital capabilities to improve both experience and health care outcomes for all Michiganders.

### 3. Initial Core Terms.

#### a. ***Governance.***

- i. **An Organizational Structure That Makes Sense.** Beaumont and Spectrum Health are committed to establishing a corporate structure that is specifically designed to achieve the Guiding Principles. A Michigan nonprofit corporation (initially to be named "BSHS System") will be the parent corporation of the four operating divisions of the new System: (i) BSHS Beaumont Health; (ii) BSHS Spectrum Health West Michigan; (iii) BSHS Spectrum Health Lakeland; and (iv) Priority Health.

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ii. **A System Board That is Effective and Also Supports Local Governance.**

1. The System Board will serve the needs of the entire organization, without favoring the needs or concerns of a particular division or region.
2. The initial System Board will be comprised by seven (7) Beaumont-appointed board members and seven (7) Spectrum Health-appointed board members plus the System CEO serving as a voting *ex officio* member, for a total of fifteen (15) voting board members.
3. At least three (3) of the voting board members will be physicians.
4. After the first six (6) months following the closing, an additional board member will be appointed by the affirmative vote of at least two-thirds (2/3) of the Directors of the existing Board, bringing the total to sixteen (16) voting Board members.
5. One (1) Board member from each of Spectrum Health and Beaumont will serve only one 3-year term, at which time the System Board will be reduced to a total of fourteen (14) voting board members.

iii. **Term Limits to Support Fresh Perspectives.** Except as noted above and except as to the System CEO (who serves as a voting member of the Board in an *ex officio* capacity), each new System Board member will be eligible to serve for up to three 3-year terms. Staggering of terms will be implemented and administered fairly and equitably from the beginning to ensure manageable director rotations. Subsequent System Board members will be selected by the then-existing System Board through the utilization of a robust competency-based board recruitment and succession planning process.

iv. **A Board Chair and Vice Chair Committed to Transformation.** The initial System Board Chair will be Julie Fream, who is currently serving as the chair of the Beaumont Board. The current boards and executive leadership of both Spectrum Health and Beaumont are confident that Julie is very well equipped to lead the new System Board through a time of extraordinary transformation. This individual will serve for an initial term of two (2) years, with an opportunity for a second two-year term. Similarly, the initial System Board Vice Chair will be Sean Welsh, a board member currently serving on the Spectrum Health Board, and will serve for an initial

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two-year term, with an opportunity for a second two-year term. The Board Chair and Vice Chair, like all Directors, have a duty to serve the needs of the entire organization, without favoring the needs or concerns of a particular division or region.

- v. **Local Governance by Empowered Fiduciary Boards.** Local governance for each operating division of the new System will be maintained via a local divisional fiduciary board of Directors with governance authority that recognizes the unique needs of the communities served by each division (subject to certain appropriate reserved powers retained by the System Board). The Parties anticipate that the System will be initially comprised of four operating divisions: (i) BSHS Beaumont Health; (ii) BSHS Spectrum Health West Michigan; (iii) BSHS Spectrum Health Lakeland; and (iv) Priority Health.
  
- b. **Leadership That Transforms.** Beaumont and Spectrum Health are committed to building a combined leadership team representative of our communities and that is focused on achieving their transformational aims:
  - i. Tina Freese Decker, current Spectrum Health President & CEO, will serve as President & CEO of the new combined System. John Fox, current President and CEO of Beaumont, will assist with a successful transition.
  - ii. The initial senior leadership team will reflect the strengths of both organizations and thus will include talented people from each organization, to be initially determined by the Beaumont and Spectrum Health CEOs.
  - iii. The President & CEO and senior leadership team of the new combined System will serve the needs of the entire organization, without favoring the needs or concerns of any particular division or region.
  
- c. **Continued Legacy of Strong Medical Staffs Serving Our Patients.** Both Beaumont and Spectrum Health have a long history of strong, high performing medical staffs comprised of highly skilled independent and health system employed physicians and other providers. The two organizations respect each other's existing medical staff structures and membership criteria, will maintain the local functioning of those medical staffs, and will work to improve administrative ease and consistency of rules and regulations for all medical staff members.
  
- d. **Branding That Reflects the Parties' Shared Identity.** The Parties have three well established brand names with strong brand equity and trust in their communities. Beaumont Health and Spectrum Health names will remain in their local markets pending the adoption of the overall branding plan and architecture by the System Board. The temporary legal name of the new System parent corporation will be "BSHS System."

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- e. ***Headquarters That Support the Work Where It is Happening.*** The new System will keep its corporate and shared services functions in Michigan and close to the communities it serves. Specifically, the Parties agree as follows:
  - i. Headquartered in Michigan with dual locations – one in Southfield and one in Grand Rapids.
  - ii. The combined senior System leadership team will have offices in each corporate office, to facilitate collaboration with divisional leaders, and will spend time in each location and be engaged in all the communities served.
  - iii. Corporate services (e.g., IT, Finance, HR, etc.) will be located in various locations and structured with the goal of maximizing effectiveness while realizing cost savings.
  
- f. ***Investing in a Shared Future.*** Beaumont and Spectrum Health remain committed to investing in our communities and existing infrastructure. Each organization has a respective five-year capital plan that identifies major capital investments. Specific capital business plans already approved by the respective boards will continue as planned unless there are agreed changes to avoid needless duplication in light of System initiatives. With an emphasis on transformative investments for the future of health care in Michigan, the new System Board will adopt on an annual basis a capital plan, formulated with input from each Division, to effectively serve the capital needs of all divisions within the new System. Capital plans will reflect appropriate factors, including the System’s overall ability to support debt or make investments; the health care needs of particular communities; needs for enhanced facilities; emerging technologies; potential return on investments to support further System services; and market dynamics. Examples of capital needs that the System will need to consider include medical education, private rooms, digital and innovative medical technologies, physician offices, behavioral health and outpatient facilities, as well as basic infrastructure needs.
  
- g. ***Honoring Past and Future Donors.*** Beaumont and Spectrum Health will honor donor intent by (i) maintaining and enhancing local Foundations to support health care locally, with a commitment that funds raised in local communities will stay in those communities; (ii) observing and respecting any donor restrictions on all past and future accepted gifts; and (iii) preservation of or timely disbursing of funds to be used for the purpose or program for which such funds were raised.

#### 4. Next Steps.

- a. ***Implementing Communications Strategy.*** The Parties will work together to implement a comprehensive communications strategy for each of the key internal and external stakeholders that will be impacted by or interested in the Integration.

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- b. *Conducting Due Diligence.*** Each Party will be afforded such information, materials, and access from the other Party as shall be deemed reasonably necessary to conduct due diligence in connection with the Integration. The Parties anticipate that all due diligence will be completed as soon as reasonably practicable.
  - c. *Preparing and Entering into Integration Agreement.*** The Parties will jointly develop and work in good faith toward the execution of a definitive “Integration Agreement” setting forth the terms and structure of, and pursuant to which the Parties will effectuate, the Integration. The Parties will commence such negotiation promptly upon the execution of this LOI with a view to execution of the Integration Agreement as soon as reasonably practicable, and shall continue such negotiation diligently until the earlier of the execution of the Integration Agreement or the termination of this LOI.
- 5. Exclusive Negotiations.** The Integration contemplated in this LOI is fundamentally unique in nature and each Party will expend significant time, money, and resources in evaluating and considering the Integration. Accordingly, during the term of this LOI neither a Party, nor any Affiliate of a Party, shall have any substantial discussions regarding, enter into, or make any binding commitment to enter into any transaction or any series of related or substantially similar transactions (including but not limited to any affiliation, full asset merger, sale of membership interests or other form of equity, sale of all or any material portion of its assets, or other similar transaction). For purposes of this LOI, “Affiliate” means any entity that is directly or indirectly controlling, controlled by, or under common control with or of a Party.
- 6. Binding Terms and Termination.** While this LOI represents a shared commitment of the Parties to pursue the Integration with terms as outlined in this LOI, the only legally binding terms set forth in this LOI are those contained in Section 5 and this Section 6. The term of this LOI shall commence on the date written above and shall continue until superseded by the definitive Integration Agreement, unless sooner terminated as provided herein. Either Party may terminate this LOI on thirty (30) days prior written notice. This LOI shall not supersede that certain Mutual Confidentiality and Non-Disclosure Agreement by and between the Parties, dated February 9, 2021 (the “NDA”). Termination of this LOI shall not affect any confidentiality obligations set forth in the NDA.

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**IN WITNESS WHEREOF**, the Parties have caused this Letter of Intent to be executed by their duly authorized officers as of the date first set forth above.

**BEAUMONT:**

**BEAUMONT HEALTH**

DocuSigned by:  
*Julie Fream*  
By: 0A041DBEB33C426...  
Julie A. Fream, Board Chair

DocuSigned by:  
*John Fox*  
By: C8EE001CAA8A482  
John T. Fox, President and CEO

**SPECTRUM HEALTH:**

**SPECTRUM HEALTH SYSTEM**

DocuSigned by:  
*Robert Roth*  
By: 407C8CF5A4F5435...  
Robert W. Roth, Board Chair

DocuSigned by:  
*Christina M Freese Decker*  
By: F293171CF89B4D6  
Christina M. Freese Decker, President and CEO