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**ABOR Gives Final Approval on UAHN Merger into Banner Health and
Authorizes UA to Enter Academic Affiliation Agreement**
Merger Includes Long-term Lease and Eventual Sale of UAMC Land

(Tucson, Ariz.) - The Arizona Board of Regents today gave approval to the merger of the University of Arizona Health Network into Banner Health and gave the University of Arizona the authority to enter into an Academic Affiliation Agreement with Banner Health. The Academic Affiliation Agreement will provide the framework for the coordination of the academic medical enterprise in Tucson and Phoenix and meaningful financial support through Banner for the academic missions of the UA's Tucson and Phoenix Colleges of Medicine.

Today's vote signifies the final vote needed in a merger that will transform the health care landscape of Arizona by creating a statewide health care organization and comprehensive new model for academic medicine. Both the UAHN and Banner Health boards already have voted to approve the merger.

The ABOR action also allows the parties to proceed to signing the agreements necessary to close the transaction, which is anticipated to occur at the end of February.

Under the merger, Banner Health will acquire the Tucson hospital, the University of Arizona Medical Center, and its assets and employ the non-academic personnel. Banner also will invest in new facilities for patient care and enhance the hospital's financial position.

ABOR's statutory authority and responsibilities over certain elements of the transaction includes approval of the Ground Lease and Purchase Option Agreement (Ground Lease) for the land that the University of Arizona Medical Center sits on and the additional land for the proposed replacement hospital. This new Ground Lease provides that ABOR will lease the land to Banner for the pre-paid ground rent of \$59 million. Upon its purchase of the land, Banner will pay an additional \$1.0 million for the residual interest in the property. The Ground Lease will be executed at closing of the transaction. The funds paid by Banner under the Ground Lease must be used solely for capital expenditures and operating expenses of the UA College of Medicine-Tucson and to fund UA's \$39 million contribution to an Academic Enhancement Fund.

Under a 30-year Academic Affiliation Agreement with the University of Arizona, Banner Health will become the primary clinical partner for the Colleges of Medicine in Tucson and Phoenix and provide approximately \$261 million toward a \$300 million Academic Enhancement Fund (endowment) to provide ongoing funding for academic enhancements, faculty recruitment, and program development at the medical schools.

In addition, funds from the hospital operation will leverage the ongoing state investment in graduate medical education.

“With today’s vote, Arizona will soon be home to two premier academic medical centers in Tucson and Phoenix,” said ABOR Chair Mark Killian. “Arizona residents and our state stand to benefit tremendously from the superior medical care and research that will stem from this merger.”

The acquisition of the hospital and the partnership with the UA Colleges of Medicine are expected to achieve the following:

- Create an Arizona-based, statewide health system that improves care for all the state’s citizens by reliably and compassionately delivering superior care to all who turn to this system;
- Create a nationally leading health system that provides better care and improved patient and member experiences;
- Bolster fiscal sustainability by eliminating the hospital’s debt, improving operating margins and making a major investment in infrastructure and facilities to the Tucson hospital;
- Secure and sustain a lasting relationship with, and commitment to, the University of Arizona, anchored by an Academic Division within Banner. The Academic Medical Centers: The University of Arizona Medical Center – University and South Campuses and Banner Good Samaritan Medical Center and the faculty practice plan, will support the growing needs of the Colleges of Medicine in Phoenix and Tucson and create a value-based delivery system;
- The Phoenix and Tucson Academic Medical Centers will rapidly evolve into major economic drivers that will attract highly skilled, trained and paid professionals, elevating Arizona as a bioscience destination;
- Train more physician specialists and allied health professionals, including pharmacists and advanced practice nurses for Arizona;
- Secure and sustain an operational foundation for the Colleges of Medicine in Tucson and Phoenix that will maximize the value of the ongoing state funding received annually through legislative appropriations.

“With the Regents’ approval, the merger can proceed toward closure and we can finalize the Academic Affiliation Agreement with Banner Health,” said UA President Ann Weaver Hart. “This momentous partnership with Banner leverages the state’s investment in our Colleges of Medicine and enhances health for all Arizonans. Together we can train more doctors and other health care professionals for Arizona, enhance the health of all citizens, cure diseases, and discover new treatments with the combined strength of the university and the state’s leading health care provider.”

“We’re extremely pleased that this major milestone has been achieved and grateful for the Regents’ support to improve health care in Arizona and solidify long-term support for the UA Colleges of Medicine in Phoenix and Tucson, said Banner Health President and CEO Peter S. Fine. “We believe this agreement will help elevate Arizona’s national profile as a leader in academic medicine,” he added.

The definitive agreement is expected to be signed by January 30. Final deal closure is slated for February 27.

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