

AMENDMENT NO. 2 TO FORM A

**STATEMENT REGARDING THE ACQUISITION
OF CONTROL OF OR MERGER WITH DOMESTIC INSURERS:**

HIGHMARK INC.,

a Pennsylvania nonprofit corporation licensed to operate a hospital plan and a professional health services plan

FIRST PRIORITY LIFE INSURANCE COMPANY, INC.,

a Pennsylvania stock insurance company

GATEWAY HEALTH PLAN, INC.,

a Pennsylvania business corporation and licensed health maintenance organization

HIGHMARK CASUALTY INSURANCE COMPANY,

a Pennsylvania stock insurance company

HIGHMARK SENIOR RESOURCES INC.,

a Pennsylvania stock insurance company

HM CASUALTY INSURANCE COMPANY,

a Pennsylvania stock insurance company

HM HEALTH INSURANCE COMPANY,

d/b/a HIGHMARK HEALTH INSURANCE COMPANY,

a Pennsylvania stock insurance company

HM LIFE INSURANCE COMPANY,

a Pennsylvania stock insurance company

HMO OF NORTHEASTERN PENNSYLVANIA, INC.,

d/b/a FIRST PRIORITY HEALTH,

a Pennsylvania nonprofit corporation and licensed health maintenance organization

INTERCOUNTY HEALTH PLAN, INC.,

a Pennsylvania nonprofit corporation licensed to operate a professional health services plan

INTERCOUNTY HOSPITALIZATION PLAN, INC.,

a Pennsylvania nonprofit corporation licensed to operate a hospital plan

**KEYSTONE HEALTH PLAN WEST, INC.,
a Pennsylvania business corporation and licensed health maintenance organization**

**UNITED CONCORDIA COMPANIES, INC.,
a Pennsylvania stock insurance company**

**UNITED CONCORDIA DENTAL PLANS OF PENNSYLVANIA, INC.,
a Pennsylvania business corporation and licensed risk-assuming PPO**

**UNITED CONCORDIA LIFE AND HEALTH INSURANCE COMPANY,
a Pennsylvania stock insurance company**

BY

**UPE,
a Pennsylvania nonprofit corporation**

**Filed with the Insurance Department
of the Commonwealth of Pennsylvania**

January 18, 2013

Item 1: Insurers and Method of Acquisition

A. See Form A, pages 1-4, Item 1(A) filed November 7, 2011.

B. Method of Acquisition and General Description of the Affiliation Transaction

1. Highmark Inc. (“Highmark”)

a. See Amendment No. 1 to Form A, pages 1-2, Item 1(B)(1)(a) filed July 13, 2012.

b. Organizational Chart of Highmark and Affiliates of Highmark

A chart reflecting the identities and organization of Highmark and its affiliates is attached at Tab B. Since UPE’s filing of Amendment No. 1 to Form A, the following changes to the organizational chart of Highmark have been made:

1. Optimus 28 Management, LLC changed its name to Wexford Medical Mall LLC.
2. Protoco PPI LLC changed its name to Provider PPI LLC.
3. Protoco Supply Chain Services LLC changed its name to Provider Supply Chain Services LLC.
4. Inviva Eyewear, S.A. and its direct subsidiary, Viva Eyewear Portugal, were removed as subsidiaries of Viva Eyewear UK Ltd.
5. Eyemasters, Inc. changed its name to Visionworks, Inc.
6. ECCA Enterprises, Inc. changed its name to Visionworks Enterprises, Inc.
7. ECCA Distribution Services, Inc. changed its name to Visionworks Distribution Services, Inc.

2. West Penn Allegheny Health System, Inc. (“WPAHS”)

a. General Description of WPAHS and Affiliates

See Form A, page 5, Item 1(B)(2)(a) and Tab C filed November 7, 2011. Tab C is updated as follows:

The Western Pennsylvania Hospital

The Western Pennsylvania Hospital (“West Penn” or the “Hospital”) in Pittsburgh’s Bloomfield neighborhood is a

full-service, 292-licensed bed medical center featuring private rooms. West Penn is regionally and nationally recognized for excellence in bone marrow and cell transplantation, burn care, bariatric surgery and reproductive medicine.

West Penn is also recognized for nursing excellence. It was the first hospital in western Pennsylvania (2006) to be awarded Magnet® recognition status from the American Nurses Credentialing Center (ANCC). In 2012, it was the first in the region to receive redesignation status setting it among the top six percent of all healthcare facilities in the world recognized by the ANCC. The ANCC's Magnet® Recognition Program recognizes health care organizations that provide not only excellence in nursing, but the highest quality of patient care at all levels throughout the hospital.

In January 2011, the Hospital closed its emergency department and moved a number of services to its sister hospital, Allegheny General Hospital, including cardiovascular, orthopaedic, bariatric, and general surgery, in addition to all neurosurgery. All inpatient volume not associated with rehabilitation, burn care, obstetrics, gynecology or oncology was also relocated.

The Hospital is pleased to have re-opened its renovated emergency department in February 2012. Throughout 2012, West Penn reopened renovated general medical/surgical units and brought back services such as bariatric, orthopaedic surgery and neurosurgery. Since February 2012, West Penn has realized approximate volumes of 8,400 inpatients, 3,000 births, 18,500 emergency department visits, and 6,300 surgical cases. In 2013, the hospital will open its Cardiovascular Institute including multiple cardiac catheterization labs as well as other related services. Plans are also underway to expand the Hospital's surgical offerings.

West Penn's highly regarded Women's and Infant's Services features a Level III Neonatal Intensive Care Unit, one of only two in the region, a high-risk labor and delivery center along with reproductive medicine offered through

the Jones Institute for Reproductive Medicine. Complete renovation of these units will be completed in early 2013.

The Burn Center continues to be a leader in burn care in the region as is the region's first and only American Burn Association, American College of Surgeons – verified center for care of both adults and children.

West Penn offers a sophisticated level of care, bringing the latest in clinical expertise and medical technology serving patients with the most complex of needs. Specialty services include anesthesiology, asthma and immunology, bariatric surgery, bone marrow/stem cell transplant, breast care, burn care, cancer services, diabetes care through the Joslin Diabetes Center, diagnostic and interventional radiology, endocrinology, family medicine, foot and ankle, gastroenterology, gynecology, gynecologic oncology, hematology/oncology, internal medicine, lupus care through the Lupus Center for Excellence, maternal and fetal medicine, medical oncology, minimally invasive surgery, neonatology, nephrology, neurosurgery, obstetrics, oncology, pathology and laboratory medicine, pain medicine, pelvic floor disorders, orthopaedic surgery, plastic & reconstructive surgery, primary care medicine, pulmonary medicine, reproductive medicine and infertility, rheumatology, urogynecology and more.

The Hospital sponsors medical residency and fellowship programs and provides clinical training to third- and fourth-year medical students of the Philadelphia-based Temple University School of Medicine. The Hospital also offers a School of Nursing diploma program as well as educational opportunities in respiratory therapy, radiology technology and nursing through affiliations with Indiana University of Pennsylvania, Pennsylvania State University and Clarion University. The hospital is also home to Star Stimulation, Teaching and Academic Research Center, and is a site of the Allegheny-Singer Research Institute.

	FY 2011 Volume	FY2012 Volume	FY2011 Payor%	FY2012 Payor%
Medicare	2,709	1,408	28.5%	20.8%
Medicaid	2,441	1,876	25.7%	27.8%
Commercial	4,310	3,429	45.3%	50.7%
Self Pay Other	<u>51</u>	<u>44</u>	<u>0.5%</u>	<u>0.7%</u>
	9,511	6,757	100.0%	100.0%

b. Organizational Chart of WPAHS and Affiliates

See Form A, page 6, Item 1(B)(2)(b) and Tab D filed November 7, 2011.

2A. General Description of Jefferson Regional Medical Center (“JRMC”)

- a. A general description of JRMC and its affiliates is attached at Tab D1.**
- b. An organizational chart for JRMC and its affiliates is attached at Tab D2.**

2B. General Description of Saint Vincent Health System (“SVHS”)

- a. A general description of SVHS and its affiliates is attached at Tab D3.**
- b. An organizational chart for SVHS and its affiliates is attached at Tab D4.**

3. **Overview of Highmark's Strategic Vision**

Highmark's Strategic Vision, attached to the Form A at Tab E was amended in Amendment No. 1 to Form A to reflect the Amendment to the Managed Care Hospital Agreement and Hospital Agreement ("Hospital Agreement Amendment") negotiated by and among Highmark, Keystone Health Plan West, Inc., UPMC d/b/a University of Pittsburgh Medical Center ("UPMC") and each of the UPMC hospitals identified therein ("UPMC Hospitals"), which generally provides that the UPMC hospitals and UPMC physicians will remain part of the Highmark network through December 31, 2014 with certain hospitals or programs associated with certain hospitals remaining in the network for longer terms as provided therein. See Form A, page 6, Item 1(B)(3), Tab E; Amendment No. 1 to Form A, page 3. The rationale for Highmark's Strategic Vision was not altered by the Hospital Agreement Amendment.

An updated overview of Highmark's Strategic Vision is attached at Tab E.

4. **The Affiliation Transactions**

Highmark has entered into Affiliation Agreements with WPAHS and JRMC discussed below at (a) and (b). Highmark has negotiated a term sheet regarding an affiliation with SVHS discussed below at (c). The transactions relating to JRMC and SVHS do not require approvals by the Department.

a. **General Description of the Amended WPAHS Affiliation Transaction**

On October 31, 2011, Highmark and WPAHS entered into an Affiliation Agreement ("WPAHS Affiliation Agreement") pursuant to which Highmark and WPAHS will affiliate to establish a new integrated health system that preserves Highmark's control over its insurance operations and WPAHS's federal income tax-exempt status under IRC §501(c)(3).

On September 28, 2012, WPAHS notified Highmark that it believed that WPAHS was released from its obligations under the Affiliation Agreement due to an alleged incurable anticipatory breach of the agreement by Highmark. According to WPAHS, Highmark allegedly breached the WPAHS Affiliation Agreement by taking the position that it would not consummate the affiliation

even with Department approval, and insisting that WPAHS restructure through a bankruptcy.

On October 1, 2012, Highmark sought a preliminary injunction with the Allegheny County Court of Common Pleas seeking an order to prevent WPAHS from discussing an affiliation or acquisition with another organization; a declaration that WPAHS' purported termination of the WPAHS Affiliation Agreement was improper, unjustified, and of no effect; and additionally or in the alternative, a judgment for the immediate payment of the outstanding loans advanced to WPAHS by Highmark and damages. In its complaint, Highmark categorically denied that it breached the affiliation agreement and emphasized its commitment to move forward with the transaction. WPAHS, in turn, filed an answer and counterclaim to Highmark's complaint, asserting, among other things, that WPAHS was entitled to retain all amounts previously advanced to it under the WPAHS Affiliation Agreement by Highmark (including all WPAHS loans); and seeking fees, costs and other expenses incurred by WPAHS in remarketing the health system and any difference between the "consideration" it would have received under the WPAHS Affiliation Agreement and any alternative transaction it would have completed as damages.

On November 9, 2012, the Court granted Highmark's motion for a preliminary injunction to prevent WPAHS from starting affiliation/acquisition discussions with other organizations. In its ruling, the Court held that that the proposed Affiliation Agreement remained in place and that Highmark was not in breach.

Shortly after the Court issued its final ruling, talks between Highmark and WPAHS commenced again with a renewed focus on addressing the financial condition of WPAHS, which would help secure approval of the change of control of Highmark by the Department. The parties reaffirmed that an affiliation is in the best interests of both organizations and the greater community.

As a result of the talks between Highmark and WPAHS, the WPAHS Affiliation Agreement is to be amended pursuant to an Amendment No. 1 to Affiliation Agreement, the terms of which have been incorporated into this description (collectively, the "Affiliation Agreement").

Basic Structure of the New Affiliation,
Tender Offer and Financing

At closing under the WPAHS Affiliation Agreement, a new nonprofit parent company, UPE, will become the sole corporate member (as defined in 15 Pa. C.S.A. §5103) within a new class of membership that will be established in Highmark. UPE was formed on October 20, 2011 by filing of Articles of Incorporation with the Pennsylvania Department of State, a copy of which is attached to the Form A at Tab F. A copy of the Bylaws of UPE is attached to the Form A at Tab G. A copy of the Amended and Restated Bylaws of UPE which will become effective at the Closing of the transaction is attached to Amendment No. 2 to Form A at Tab H.

UPE will hold all rights in this new class of corporate membership in Highmark which will be created and exist in addition to the current class of members which consists of members of the Board of Directors of Highmark. The Directors of Highmark, acting as the class of Highmark director-members, will continue to have the right, power and duty to determine the requisites for persons of low income eligible for benefits under Highmark's health care plans, subject to the approval by the Insurance Commissioner and such other rights as may be required by law. Highmark will maintain its Board of Directors which will continue to have significant control over operations. UPE will also hold certain reserved powers with respect to Highmark. All initial Directors of UPE will be drawn from the Directors of Highmark. A copy of the Second Amended and Restated Bylaws of Highmark which will be effective at the Closing of the transaction is attached to Addendum No. 1 to Amendment No. 1 to Form A at Exhibit D filed August 24, 2012.

UPE is the sole corporate member of a new nonprofit subsidiary of UPE, UPE Provider Sub. UPE Provider Sub was formed on October 20, 2011 by filing of Articles of Incorporation with the Pennsylvania Department of State, a copy of which is attached to the Form A at Tab J. A copy of the Bylaws of UPE Provider Sub is attached to the Form A at Tab K. A copy of the Amended and Restated Bylaws of UPE Provider Sub which will be effective at the Closing of the transaction is attached to Amendment No. 2 to Form A at Tab L. UPE Provider Sub will become the sole member of WPAHS which in turn is the parent company of various entities in the WPAHS health system of hospitals and other healthcare

providers. UPE and UPE Provider Sub will each have certain reserved powers in WPAHS and a majority of the Board of WPAHS will be appointed by UPE. A copy of the Amended and Restated Bylaws of WPAHS which will become effective at the Closing is attached to Amendment No. 2 to Form A at Tab M.

Highmark Funding Commitment

Under the terms of the WPAHS Affiliation Agreement, Highmark has agreed to provide funding to WPAHS as follows:

- \$50 million was funded on June 28, 2011 at the time of the execution of the term sheet in order to make capital improvements and fund operations at WPAHS.
- \$100 million was funded on the signing of the Affiliation Agreement and a third funding in the amount of \$50 million was made on April 27, 2012.
- Provided that a sufficient number of bondholders agree with Highmark to tender their bonds, Highmark will launch a tender offer to purchase their bonds as well as all other bonds. In connection with entering into the tender agreements with the bondholders, Highmark will place \$50 million into an escrow account or post a \$50 million letter of credit to secure Highmark's performance with regard to the tender offer. If the closing occurs on or before April 30, 2013, or any agreed upon extension of that date, the \$50 million and another \$50 million from Highmark will be advanced to WPAHS at the closing in the form of a loan. If the closing does not occur by April 30, 2013, or any agreed upon extension of that date, the \$50 million escrow amount will be paid to WPAHS.
- An additional funding commitment in the form of a loan of \$100 million (conditioned upon the Closing of the WPAHS Affiliation Agreement) will be advanced on the later of the Closing or April 1, 2014; this funding commitment will be reduced by any positive cash flow of the WPAHS affiliated organizations.

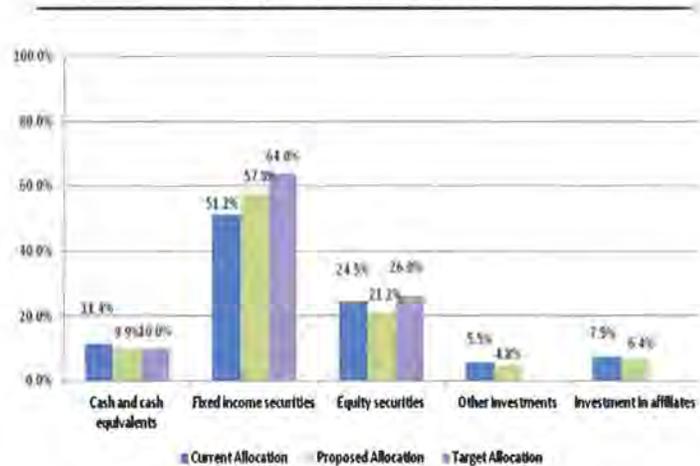
- Highmark will fund \$75 million at the time of Closing, less any advances against such amount up to \$33.6 million made by Highmark to WPAHS prior to the Closing to pay certain of WPAHS's obligations coming due prior to the Closing.
- Highmark also will provide \$10 million of supplemental payments to WPAHS in each of the next five (5) years as part of its provider rate negotiations. This increase is equivalent to the standard medical index.
- Beyond the funding commitments described above and a projected one-time contribution of \$1 million to UPE for operating purposes, Highmark has no additional obligation to provide funding or to assume any liabilities of WPAHS and its affiliates.
- Highmark has secured a commitment from a commercial lender for an aggregate \$600 million of secured financing to acquire the tendered WPAHS bonds. The financing will be in the form of a term loan maturing three (3) years from the Closing date and will be secured by a pledge by Highmark of cash, cash equivalents and marketable securities that will remain with the current custodian. The commitment for the proposed loan includes other ordinary and customary terms and covenants. While Highmark fully expects to execute definitive loan documents on or before the expiration date of the tender, in the event that it is unable, for any reason, to consummate the loan transaction, it will finance the purchase of the bonds with its own cash and cash equivalents and the liquidation of other marketable securities in its investment portfolio. At December 31, 2012, Highmark had sufficient cash equivalents and marketable securities available for such purpose, which excludes restricted assets. Highmark has reviewed the customary terms and covenants of the proposed loan and anticipates that it will be in compliance with all terms and covenants of the proposed and all other existing debt agreements. Highmark anticipates holding the bonds as investments for a period of up to three years until WPAHS completes a tax-exempt bond offering and buys back the bonds from Highmark. While the bonds will

be classified as below-investment-grade securities, Highmark will remain in compliance with state insurance laws and regulations relating to investment restrictions, and will also remain in compliance with Highmark's investment policy, subject to formal approval by the Investment Committee of the Highmark Board of Directors. The average quality of Highmark's fixed income investment portfolio will remain investment-grade. The graph below shows the current allocation of Highmark's reserve investment portfolio, the proposed allocation including the WPAHS bonds, and the target allocations by asset category (excluding investment portfolios of subsidiaries and affiliates).

Effect of Debt Acquisition on Asset Allocation

As of December 31, 2012

Highmark Reserve Portfolio



Conditions to Closing

Numerous conditions exist to the parties' obligation to close the transaction, including various regulatory approvals that must be obtained (including those of the Pennsylvania Insurance Department, the Pennsylvania Department of Health, and the Pennsylvania Office of Attorney General).

Interim Operating Covenants

The WPAHS Affiliation Agreement contains covenants prohibiting WPAHS management from taking a number of operating actions prior to Closing without first obtaining Highmark's consent.

Other Features

Among other significant features of the WPAHS Affiliation Agreement:

- WPAHS has agreed that it will not pursue any comparable transaction or affiliation while the WPAHS Affiliation Agreement is pending.
- Both parties agree that for a period of four years (i) they will not make any material change to WPAHS's operations that would be inconsistent with WPAHS's federal income tax-exempt status and (ii) WPAHS will continue to operate in accord with its existing charity care policies.
- Contemporaneous with the closing the pending litigation between Highmark and WPAHS related to the transaction will be dismissed and general releases will be exchanged.

A copy of the WPAHS Affiliation Agreement has been provided to the Department under separate cover. The amendments to the WPAHS Affiliation Agreement are reflected in a term sheet which will be filed with the Department either currently with or immediately following the filing of Amendment No. 2 to Form A.

b. General Description of the JRMC Affiliation Transaction

UPE, UPE Provider Sub and Highmark Inc. ("Highmark") have entered into an Affiliation Agreement with Jefferson Regional Medical Center ("JRMC"), Jefferson Regional Medical Center Foundation ("JRMC Foundation") and various JRMC subsidiaries dated August 13, 2012, which sets forth both the organizational structure contemplated by the transaction as well as certain ongoing commitments to JRMC and its community (the "JRMC Affiliation Agreement").

Organizational Structure

Highmark and JRMC have determined that the transaction structure will be slightly modified from that which is described by the JRMC Affiliation Agreement (which provides for the possibility that a Highmark subsidiary will become the sole member of JRMC). More specifically, the parties have agreed (i) that UPE Provider Sub (having UPE as its sole member) will become the sole member of JRMC at Closing, and (ii) that Highmark will, at Closing, become an “other body” (as defined in Section 5103 of the Pennsylvania Nonprofit Corporation Law) of UPE having the reserved power to appoint the UPE Board of Directors. If and when the Department approves Highmark’s change in control transaction, there will be a subsequent bylaws amendment such that control over UPE will be exercised solely by UPE’s Board of Directors that will become self-perpetuating (i.e. Highmark will no longer act as an other body of UPE).

The current members of the Board of Directors of JRMC will each serve on the initial post-Closing JRMC Board. Seventy-five percent (75%) of the voting members shall, at all times, be UPE JRMC Board Appointees and 25% shall be Jefferson JRMC Board Appointees. The size of the Board will decline as Board terms of the Jefferson JRMC Board Appointees expire such that, ultimately, the Jefferson JRMC Board Appointees shall have six (6) individuals who will become a self-perpetuating class of directors who will, by majority vote, elect their respective successors to the JRMC Board, provided that at least two (2) of these appointees shall be the President and Vice President of the JRMC Medical Staff. In addition, at least one (1) of the Jefferson JRMC Board Appointees shall be a Sister of the religious Community of Sisters of St. Joseph.

Funding Commitments

Highmark has agreed to make available to JRMC grants in an aggregate amount up to \$100 million to finance certain capital expenditure projects. An initial grant in the amount of \$21 million (from the up to \$100 million aggregate amount) is to be made at Closing, as an unrestricted contribution to JRMC and is to be utilized for such charitable purposes as JRMC determines.

Highmark has further agreed, subject to certain limitations, to guarantee the payment of debt, pension, and all other liabilities of JRMC on the books as of March 31, 2012, or to provide another structural solution which will provide JRMC with the same financial support.

In order to make a significant contribution to the local community, Highmark has also agreed to make a monetary contribution in the amount of \$75 million to the JRMC Foundation, to be made in installments by January 1, 2014. (The JRMC Foundation will continue as a 509(a)(3) supporting organization and will continue to support JRMC and its extended community. Post-transaction, JRMC will no longer be the sole member of the Foundation and Articles of Incorporation for the JRMC Foundation shall provide for the JRMC Foundation to have no members. The JRMC appointed Foundation directors will be self-perpetuating and UPE will have the ability to appoint 25% of the Foundation directors.)

Conditions to Closing

Numerous conditions exist to the parties' obligation to close the transaction, including various regulatory approvals that must be obtained (including those of the Pennsylvania Office of Attorney General).

Other Features

Among other significant features of the JRMC Affiliation Agreement:

- UPE Provider Sub has an objective of bringing quaternary and tertiary care to JRMC when appropriate, and has further committed to a significant expansion of its information technology infrastructure as part of its overall provider business strategy.
- Highmark has committed to JRMC being the regional management team leader within a defined geographic area, including integrated delivery and financing system aligned provider assets within such area.
- Highmark has committed that staffing levels will be maintained and to accept decisions made by JRMC to

retain JRMC's employees, and has made further commitments to JRMC's medical staff, including without limitation to assist with recruitment of physicians, to honor existing contracts of physicians employed by JRMC and its Affiliates, and to honor JRMC's existing contracts for hospital-based physicians.

- Highmark has agreed that, subject to certain conditions, JRMC's existing charity care policy and level of support for education and community programs will not change for at least five (5) years after Closing.
- JRMC has agreed that it will not pursue any comparable transaction or affiliation while the JRMC Affiliation Agreement is pending.

A copy of the JRMC Affiliation Agreement has been provided to the Department under separate cover.

c. General Description of the SVHS Affiliation Proposed Terms

Highmark Inc. ("Highmark") and Saint Vincent Health System ("SVHS") have entered into an Amended and Restated Term Sheet dated October 19, 2012 (the "Term Sheet"), and are in the process of negotiating a binding Affiliation Agreement related to a transaction whereby the Pennsylvania nonprofit corporation now known as UPE Provider Sub will become the sole corporate member of SVHS and/or Saint Vincent Health Center ("SVHC"). Highmark and SVHS/SVHC are considering a transaction that will (a) allow SVHS to strengthen its hospitals and other affiliated providers and serve as a financially strong core for the integrated financing and delivery of health services to the community, including Highmark's subscribers/policyholders; (b) work to preserve the operations of SVHS/SVHC as providers of high quality health care services that provide accessible and effective services, while operating financially and administratively within the integrated financing and delivery system to be governed by the Pennsylvania nonprofit corporation now known as UPE; (c) preserve competition among health care providers that will promote the delivery of cost-effective, high-quality health care to the community, including Highmark's subscribers/policyholders, by allowing meaningful choices regarding where health care services can be obtained; (d) be consistent with evolving trends in

the health care industry by creating a more integrated health care system with greater financing and health care delivery options; and (e) respect the legacy of the Sisters of St. Joseph of Northwestern Pennsylvania (the “Sisters”). Among the significant features of the Term Sheet are the following:

- Funding Commitments. Highmark has agreed to make the following payments/investments: (a) \$10 million payment to the Sisters in exchange for consideration described in the Term Sheet; (b) \$5 million investment in capital projects for SVHS to support the healthcare mission of the Sisters; and (c) \$20 million cash investment in SVHS.
- Capital Commitments. Highmark has committed to supporting the long term capital plans of SVHS, including assistance with capital sourcing and budgeting from internal and external sources. Highmark has also agreed to work with SVHS on payment systems, new clinical programs, group purchasing, and other management/administrative tools that will result in operational efficiencies. It is intended that Highmark will permit SVHS over the next 3 years to reinvest an amount equal to the annual depreciation expense of SVHS to maintain and enhance the existing facilities and physical assets, including the purchase of new assets, at SVHS, SVHC and their subsidiaries, which amount is expected to be approximately \$14 million annually.
- Organizational Structure. It is contemplated that upon Closing of the transaction, the SVHS and SVHC Boards will be structured so that seventy-five percent (75%) of such Boards' composition will be elected by UPE. The other twenty-five percent (25%) of each such Board will be elected pursuant to a structure to be developed by SVHS/SVHC (with input from Highmark and UPE).
- Financial Limits. Highmark has stated that for a period of three (3) years after Closing: (a) Highmark does not intend to take any action that would result in the bankruptcy of SVHS nor does it intend to compromise the principal amount of SVHS' existing long term debt; and (b) Highmark agrees not to transfer any cash or investments of SVHS to any other entity controlled by Highmark.

- Banking Assistance. Highmark has committed to providing assistance to SVHS in extending or replacing its existing lines of credit which currently support its variable rate demand bonds.
- Role of SVHS. It is intended that SVHS will be a key contributor and component of the new integrated delivery and financing model as the northern service area tertiary provider within a defined geographic area.
- Exclusivity. SVHS and SVHC have agreed that they will not pursue any comparable transaction or affiliation while the parties proceed with a proposed transaction.

A copy of the Term Sheet has been provided to the Department under separate cover.

5. Statement Concerning the Structure and Governance of the Corporate Entities Involved in the Affiliation Transactions.

A Statement Concerning the Structure and Governance of the Corporate Entities Involved in the Affiliation Transactions is attached at Tab D5.

Item 2: Identity and Background of the Applicant

- A. See Form A, page 9, Item 2(A), filed November 7, 2011
- B. Nature of the Applicant's Business Operations

Applicant was formed on October 20, 2011 as a non-member Pennsylvania nonprofit corporation. The Corporation was organized for scientific, educational and charitable purposes and filed an application with the Internal Revenue Service requesting that Applicant be recognized as exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. By letter dated March 3, 2012, the Internal Revenue Service advised UPE that its application for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code was approved and the corporation was determined to be tax-exempt. At the Closing of the WPAHS affiliation, Applicant will be the sole member of the class of members of Highmark which will elect Highmark's Board of Directors and the sole member of UPE Provider Sub which in turn will be the sole member of WPAHS, JRMC and SVHS/SVHC.

C. Post-Affiliation Chart of the Applicant and All Affiliates of the Applicant

An updated chart reflecting the identities and proposed organization of UPE and its affiliates is attached at Tab N.

Item 3: Identity and Background of Individuals Associated with the Applicant

The directors of UPE currently are: William Winkenwerder, Jr., M.D., J. Robert Baum, Ph.D., David A. Blandino, M.D., David J. Malone, David M. Matter, and Victor A. Roque. The senior officers of UPE are the same as the senior officers of Highmark as of the date of filing of Amendment No. 2 to Form A. The officers of UPE are William Winkenwerder, Jr., M.D. (President and CEO), Thomas L. VanKirk (Secretary), and Nanette P. DeTurk (Treasurer).

Updated biographical affidavits for these individuals have been filed.

Item 4: Nature, Source and Amount of Consideration

See Form A, page 10, Item 4, filed November 7, 2011.

Item 5: Future Plans

The Applicant has no present plans to declare any extraordinary dividend, liquidate any of the Domestic Insurers, sell their assets to or merge them with any person or persons, or to make any other material change in their business operations or corporate structure or management, except as set forth herein.

As a result of the decision to novate the business of Highmark Senior Resources Inc. ("HSR") to HM Health Insurance Company ("HHIC"), HSR plans to distribute approximately \$40 million to Highmark in the first quarter of 2013, leaving approximately \$3 million in surplus in order to maintain certain licenses.

Highmark notified the Department that it was terminating its reinsurance agreement with HHIC effective as of January 1, 2013. A commutation agreement was executed between HHIC and Highmark to address the run-out of the existing reinsurance agreement. As a result of the termination of its reinsurance agreement with Highmark, HHIC plans to distribute approximately \$450 million to Highmark in the first quarter of 2013. No additional contributions or dividends are projected for 2012 through 2016.

Highmark's vision subsidiary HVHC Inc. ("HVHC") has developed an accelerated growth strategy that involves opening 50 new retail stores in 2013 and 95 new stores in 2014. HVHC's strategy also calls for it to add stores at the rate of 125 per year from 2015 through 2018.

HVHC's strategy will result in the expansion of its national retail presence and will enable it to take advantage of increased economies of scale. Highmark management is proposing to fund a portion of HVHC's growth strategy with capital contributions to HVHC of \$40M in 2013 and \$25M in 2014. These capital contributions will be funded out of Highmark's surplus. The remaining cost of the strategy will be funded by HVHC. There are no additional funding commitments planned for HVHC for 2015-2018.

Highmark regularly assesses ways in which it can enhance its relationships with other Blue Cross and/or Blue Shield plans. New relationships could take the form of affiliations similar to those it currently has with Highmark West Virginia Inc. and Highmark BCBSD Inc. Affiliations of this type generate operational synergies, which provide a financial return to Highmark. They also allow Highmark to enhance its brand while also providing it with market diversification. New relationships also could take the form of platform "partnerships" such as those Highmark currently has with Blue Cross Blue Shield of Northeastern Pennsylvania and Independence Blue Cross. These "partnership" arrangements allow Highmark to leverage its investment in its core platform systems by bringing value to Highmark through scale and growth. Generally, these types of arrangements do not require a significant capital investment.

Item 6: Voting Securities to be Acquired

See Form A, Item 6, pages 10-11, Item 6 filed November 7, 2011.

Item 7: Ownership of Voting Securities

See Form A, Item 7, page 11, filed November 7, 2011.

Item 8: Contracts, Arrangements, or Understandings with Respect to Voting Securities of the Domestic Insurer(s)

See Form A, Item 8, page 11, filed November 7, 2011.

Item 9: Recent Purchases of Voting Securities

See Form A, Item 9, page 11, filed November 7, 2011.

Item 10: Recent Recommendations to Purchase

See Form A, Item 10, page 12, filed November 7, 2011.

Item 11: Agreements with Broker-Dealers

See Form A, Item 11, page 12, filed November 7, 2011.

Item 12: Financial Statements and Exhibits

Copies in PDF format of Annual and quarter-ending financial statements as of 6/30/11 for Highmark and its insurance subsidiaries covering the period 2006 – 2010 as appropriate were filed on a compact disc with the Form A at Tab O on November 7, 2011. Copies in PDF format of the 2011 Annual Statements were filed with Amendment No. 1 to the Form A on HMK-PID-CD-5 at Tab O. Copies in PDF format of the March 31, 2012 Quarterly Financial Statements were filed with Amendment No. 1 to the Form A on HMK-PID-CD-7 at Tab O. Copies in PDF format of the Quarterly Financial Statements for the quarters ending 6/30/12 and 9/30/12 for Highmark and its insurance subsidiaries as appropriate are attached to this filing at Tab O.

- Highmark Inc.
 - Highmark Inc. Statutory Financial Statements
 - Highmark Inc. Combined GAAP Financial Statements (filed as a confidential document with the Department)
- Highmark Domestic Insurer Subsidiaries:
 - First Priority Life Insurance Company, Inc.
 - Gateway Health Plan, Inc.
 - Highmark Casualty Insurance Company
 - Highmark Senior Resources Inc.
 - HM Casualty Insurance Company
 - HM Health Insurance Company
 - HM Life Insurance Company
 - HMO of Northeastern Pennsylvania, Inc.
 - Inter-County Health Plan, Inc.
 - Inter-County Hospitalization Plan, Inc.
 - Keystone Health Plan West, Inc.
 - United Concordia Companies, Inc.

- United Concordia Dental Plans of Pennsylvania, Inc.
- United Concordia Life and Health Insurance Company
- Highmark Non-domestic Insurance Subsidiaries and Affiliates:
 - BCBSD Inc. d/b/a Highmark Blue Cross Blue Shield Delaware
 - Gateway Health Plan of Ohio, Inc.
 - HCI, Inc. (annual only)
 - Highmark West Virginia Inc., d/b/a Highmark Blue Cross Blue Shield of West Virginia
 - HM Captive Insurance Company (2007-2010) (annual only)
 - HM Life Insurance Company of New York
 - United Concordia Dental Corporation of Alabama (annual only)
 - United Concordia Dental Plans, Inc.
 - United Concordia Dental Plans of California, Inc. (annual only)
 - United Concordia Dental Plans of Kentucky, Inc.
 - United Concordia Dental Plans of Texas, Inc.
 - United Concordia Dental Plans of the Midwest, Inc.
 - United Concordia Insurance Company
 - United Concordia Insurance Company of New York

Item 13: Signature and Certification

Pursuant to the requirements of Section 1402 of the Act, UPE has caused this Amendment No. 2 to Form A to be duly signed on its behalf in the City of Pittsburgh and Commonwealth of Pennsylvania on the 17th day of January, 2013.

(SEAL)

APPLICANT

By: William Winkenwerder, Jr.
William Winkenwerder, Jr., M.D.
Title: President and CEO

Attest:

By: Thomas L. VanKirk
Thomas L. VanKirk
Title: Secretary

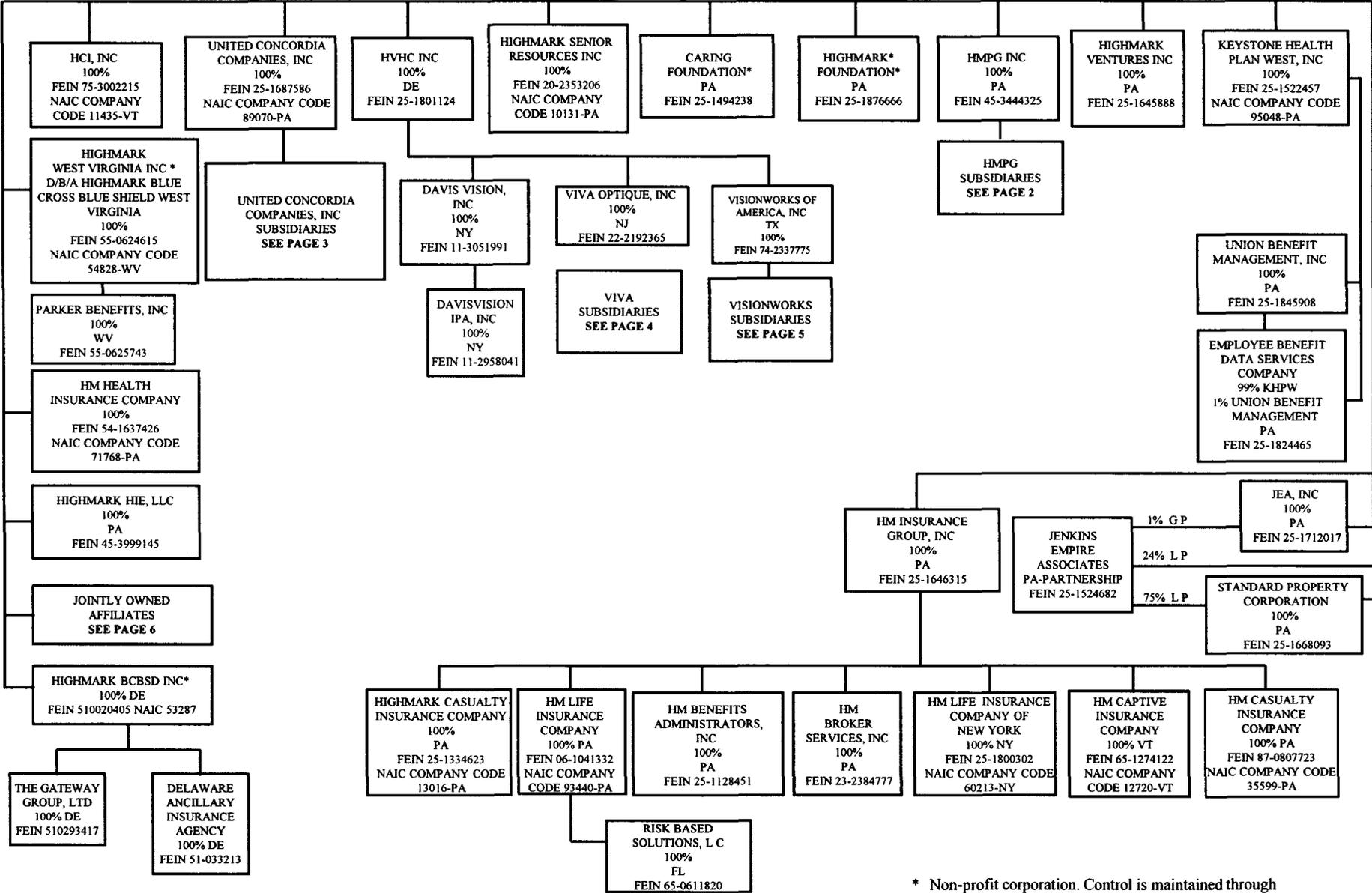
CERTIFICATION

The undersigned deposes and states that he has duly executed the attached Amendment No. 2 to Form A dated January 18, 2013, for and on behalf of Applicant; that he is the President and CEO of such company; and that he is authorized to execute and file such instrument. Deponent further states that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

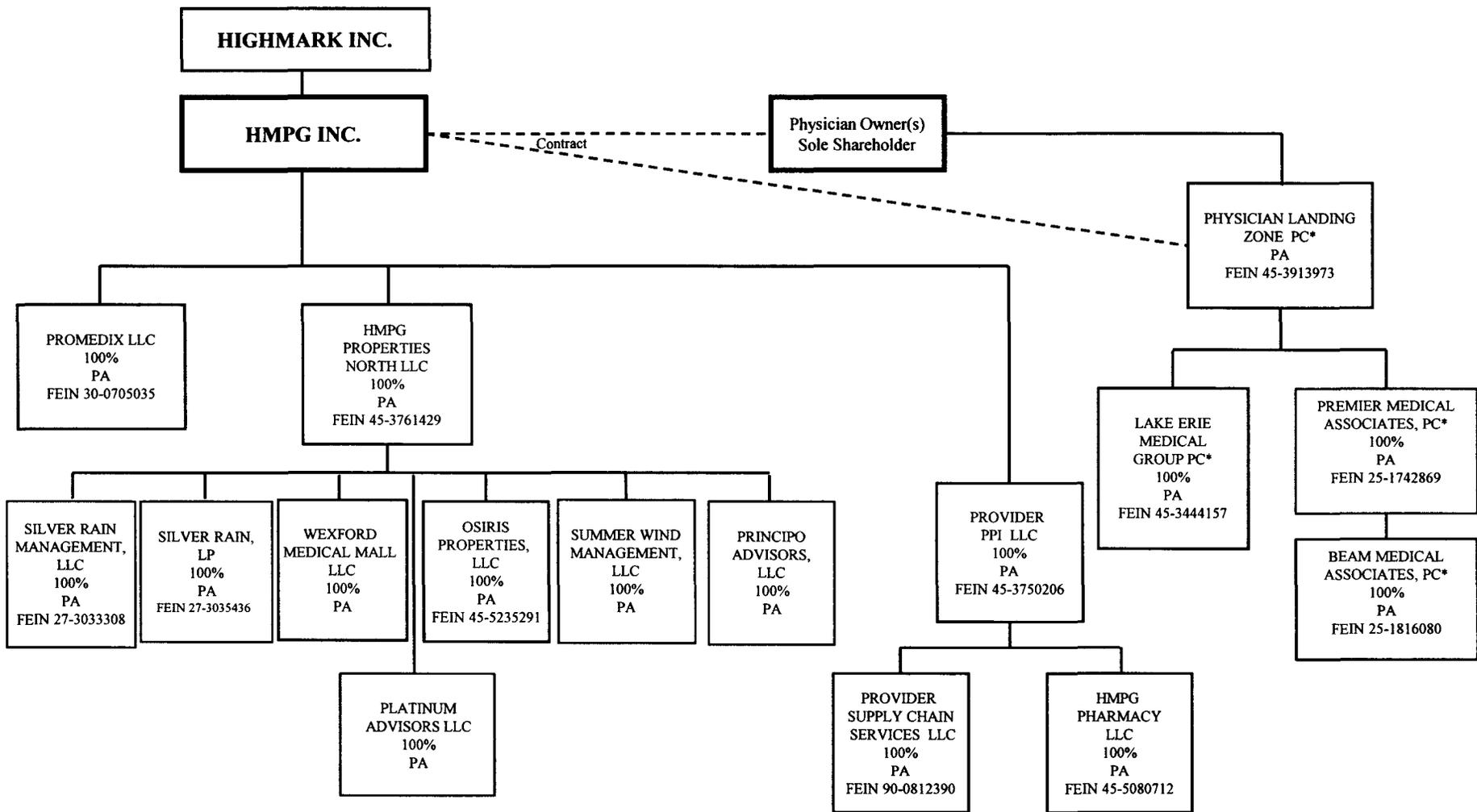
Signature: William Winkenwerder, Jr.
Typed Name: William Winkenwerder, Jr., M.D.

TAB B

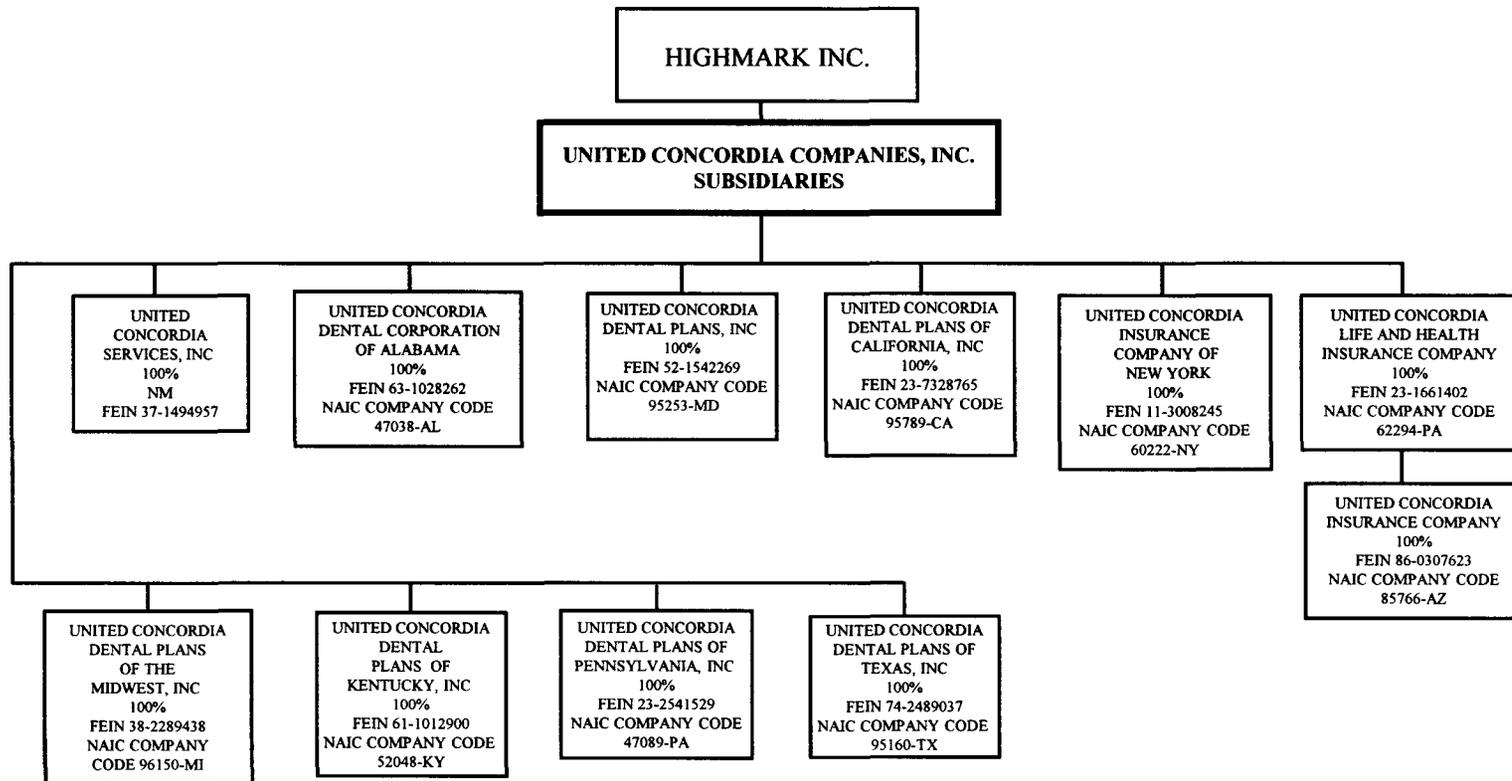
HIGHMARK INC.
D/B/A HIGHMARK BLUE CROSS BLUE SHIELD AND HIGHMARK BLUE SHIELD
FEIN 23-1294723
NAIC GROUP CODE 0812 - NAIC COMPANY CODE 54771-PA

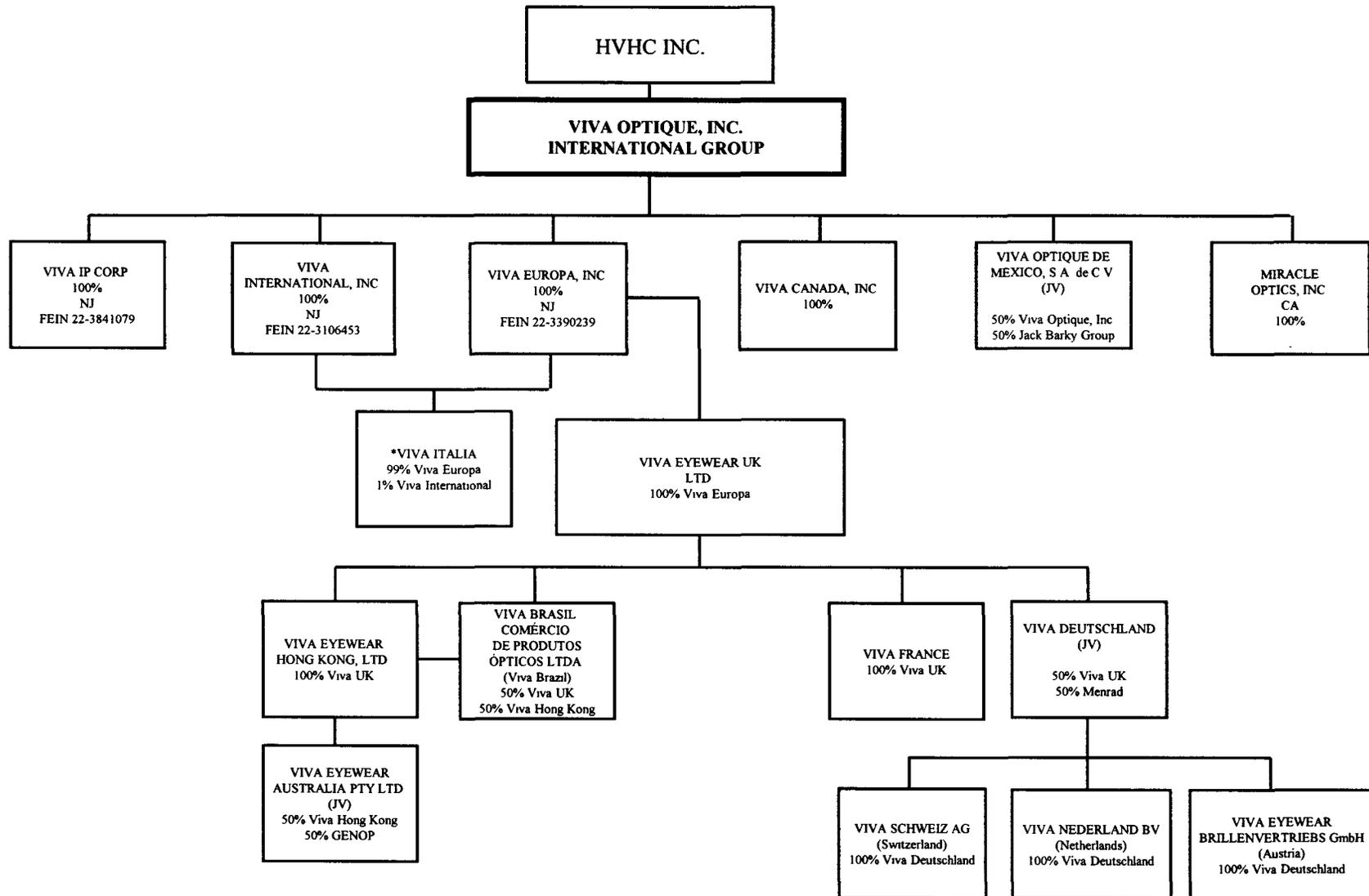


* Non-profit corporation. Control is maintained through ability to appoint the board of directors as sole member



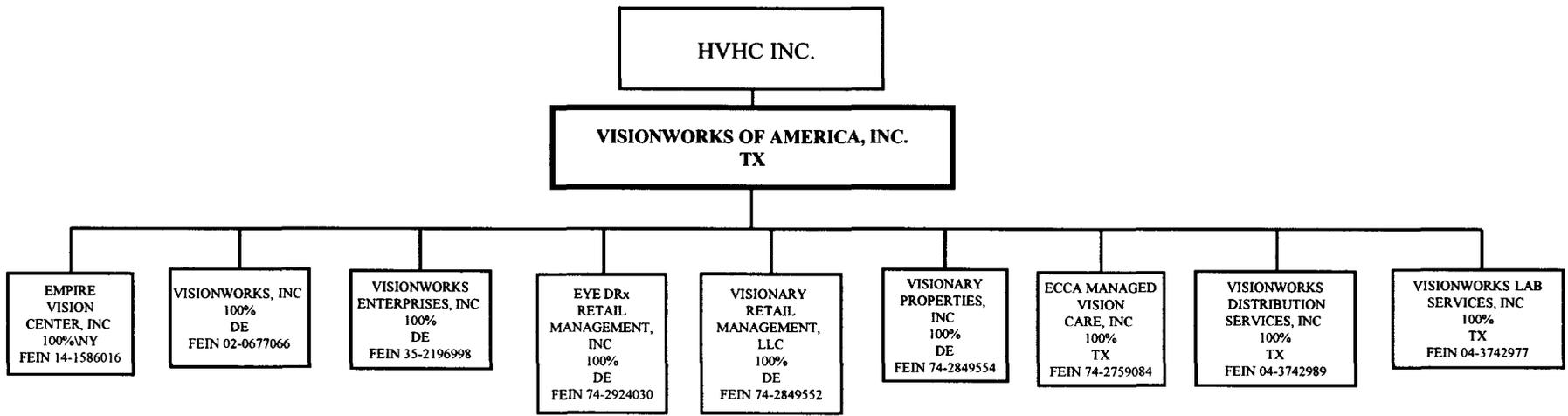
*Captive PC

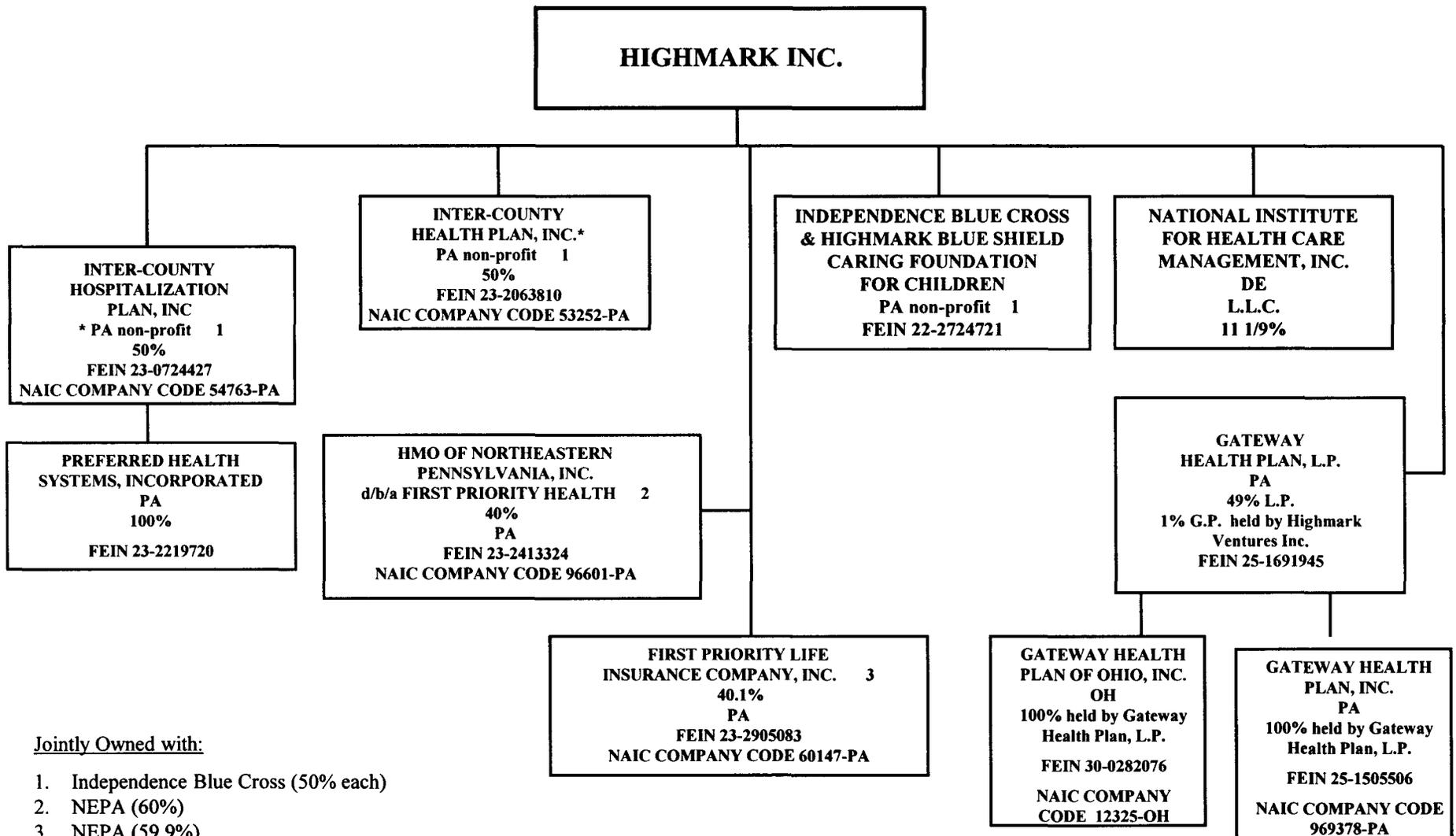




Viva Optique Group

*Viva Italia Operations ceased September 2004
 – In process of dissolution





Jointly Owned with:

1. Independence Blue Cross (50% each)
2. NEPA (60%)
3. NEPA (59.9%)

* Control is maintained through affiliation agreements which allow for control of the Boards of Directors

TAB D1

JEFFERSON REGIONAL MEDICAL CENTER

HISTORY AND BACKGROUND

Jefferson Regional Medical Center (“JRMC”) is a Pennsylvania nonprofit, hospital corporation that is recognized as tax-exempt under Sections 501(c)(3) and 509(a)(1) of the Internal Revenue Code of 1986, as amended (the “Code”). JRMC was originally created in 1973 when Homestead Hospital and St. Joseph Hospital consolidated to form a new entity called South Hills Health System. In June 1984, JRMC changed its name to Jefferson Health Services and underwent a plan of division creating several additional Pennsylvania nonprofit corporations, including, among others, South Hills Health System and South Hills Health System Foundation. The newly created South Hills Health System served as the parent organization. In February 2002, this parent organization changed its name to Jefferson Regional Medical Center, Inc.

In connection with the formation of JRMC in 1973, a policy was established to operate its facilities in accordance with the general ethical principles of the Catholic Church. The policy places restrictions on the performance of certain medical procedures such as abortions, sterilizations, organ transplantation and euthanasia.

In 2002, the system underwent a reorganization of its corporate structure. Effective July 1, 2002, three Pennsylvania nonprofit corporations recognized as tax-exempt under Section 501(c)(3) of the Code, merged with and into JRMC, including South Hills Health System Foundation, Jefferson Diversified Health Services Corporation and Jefferson Regional Medical Center, Inc., (f/k/a South Hills Health System). Also, two new Pennsylvania nonprofit corporations were created, including The Park Cardiothoracic and Vascular Institute and Borrero Medical Corporation.

On November 26, 2003 the charitable foundation for the system was re-created as a separate, nonprofit corporation known as Jefferson Regional Medical Center Foundation. This entity is a tax-exempt entity under Section 501(c)(3) and 509(a)(3) of the Code.

FACILITIES

JRMC provides a range of comprehensive health care services on an 83-acre campus in southern Allegheny County. The campus consists of a 369-bed acute care hospital (“Jefferson Hospital”) of 488,739 square feet, adjoined by an administrative complex (The James Bibro Pavilion) of 86,402 square feet and a medical office building of 143,308 square feet. Approximately 1,950 parking spaces are located on the Jefferson Hospital campus for patient and staff use. The Jefferson Hospital campus is located in the Borough of Jefferson, approximately 14 miles southwest of downtown Pittsburgh.

In 2012, JRMC added an additional 25,146 square feet of new operating rooms.

The current facilities and programs of JRMC include the following:

- **General Medical/Surgical Services**, as well as a number of clinical specialties, including cardiac care, orthopedics, oncology, medical/surgical intensive care, acute

psychiatric care and acute physical rehabilitation. JRMC has developed many specialty centers, including The Radiation Oncology Center, The Joint Center, The Women’s Diagnostic Center and The Sleep Center.

- **Emergency Services**, a fully equipped emergency room and convenience care center that receives almost 54,000 visits annually.
- **Outpatient Diagnostic and Therapeutic Services**, a wide variety of outpatient diagnostic and therapeutic services, which are available to JRMC patients including diagnostic imaging, CT Scanning, MRI, nuclear medicine, laboratory, cardiology, neurology, sleep lab, physical, speech, sports medicine and occupational therapy, wound care, oncology, pulmonary lab, and outpatient surgery.
- **Jefferson Heart Institute**, a state of the art cardiac center located within Jefferson Hospital, the Jefferson Heart Institute is comprised of two operating rooms, four cardiac catheterization labs and a 10-bed cardiovascular unit (Note: These beds are included in the bed complement for Jefferson Hospital). The Institute attends to the cardiothoracic needs of JRMC patients.
- **Counseling Center**, which has three offices in Allegheny County, provides a range of outpatient behavioral health services including diagnostic and therapeutic services and drug and alcohol abuse counseling. The Counseling Center contracts with the area businesses and local government units to provide such services to their employees. In addition JRMC provides Spiritual Care and Palliative Care.

In addition to JRMC’s Jefferson Hills campus, outpatient centers are located in Baldwin, Belle Vernon, Bethel Park, Brentwood, Charleroi, Homestead, Jefferson Hills, McMurray, Pleasant Hills, Speers, Squirrel Hill, Uniontown, West Mifflin and Whitehall.

BED COMPLEMENT

The following table sets forth JRMC’s licensed and staffed bed complement for acute care services:

Service	Licensed
Medicine/Surgery	295
Cardiovascular/Intensive Care	30
Rehabilitation	20
Psychiatry	24
Total	369

REPRESENTATIVE SERVICES PROVIDED BY JRMC

Healthcare Services	
Diagnostic/Therapeutic Services:	
Oncology	Radiology
Chemotherapy	CT Scanning
Cardiology	Diagnostic Radiology
Cardiac Catheterization Laboratory	Magnetic Resonance Imaging
Cardiac Rehabilitation	Mammography
Echo cardiology	Nuclear Medicine
Electro cardiology	Special Procedures
Open Heart Surgery	Ultrasound
Diabetes Management and Education	Rehabilitation Services
Electroneurodiagnostic	Occupational Therapy
EEG	Physical Therapy
Sleep Disorders	Pulmonary Rehabilitation
Emergency Department	Speech and Language Pathology
Gastrointestinal and Endoscopy Services	Surgical Services
Laboratory Services	Ambulatory Surgery
Blood Bank	Anesthesia
Histopathy	Bariatrics
Pre-Admission Testing	Cystoscopy
	Laparoscopic/Endoscopic Surgery
	Ophthalmic Laser
	Post Anesthesia Care Unit
	Lithotripsy
	Vascular Surgery
Inpatient Services:	Other Services:
Intensive/Coronary Care	Health Promotion Lecture Series
Medical/Surgical	Community Health Education & Screenings
Gynecology	Dean Ornish Programming
Oncology	
Pediatrics	
Telemetry	
Inpatient Rehabilitation Unit	
Respiratory Therapy	
Social Services	
Dialysis	
Orthopedics	
Behavioral Health Unit (Psychiatry)	

SUBSIDIARIES

The subsidiaries of JRMC include the following:

Jefferson Regional Medical Center Foundation

Jefferson Regional Medical Center Foundation (“Foundation”) is a nonprofit corporation that was incorporated on November 26, 2003. The Foundation serves to conduct fundraising, donation management and fund management activities to support the charitable, educational and scientific purposes of JRMC. The Foundation is a tax-exempt supporting organization under Sections 501(c)(3) and 509(a)(3) of the Code.

JRMC — Diagnostic Services, LLC

JRMC -- Diagnostic Services, LLC (“JRMC Diagnostic”) is a Pennsylvania nonprofit, single member limited liability company. It currently provides professional billing services.

Health System Service Corporation

Health System Service Corporation (“HSSC”), a Pennsylvania for-profit corporation formed on July 13, 1981, provides health-related programs and services for patients and healthcare providers. Currently, HSSC is engaged in the following activities:

- Ownership and operation of a medical office building (South Hills Medical Building) located adjacent to Jefferson Hospital, which provides space to physicians and related corporations; and
- Communications and television rental programs, which administers the communications (telephone) services to tenants of the medical office building and rental of televisions by Jefferson Hospital patients.

The Park Cardiothoracic and Vascular Institute

The Park Cardiothoracic and Vascular Institute (“PCVI”) is a Pennsylvania non-profit, taxable corporation incorporated in June 2002. PCVI is a cardiothoracic and vascular surgical practice consisting of four cardiothoracic surgeons providing services to patients living in central and southwestern Pennsylvania, eastern Ohio and northern West Virginia.

JRMC Specialty Group Practice

JRMC Specialty Group Practice is a Pennsylvania nonprofit, taxable corporation which employs physicians in various specialties to provide services to patients in JRMC’s service area.

JRMC Physician Services Corporation

JRMC Physician Services Corporation is a Pennsylvania non-profit, taxable corporation. This corporation houses the billing services for professional house physician and physician assistant services to patients of JRMC.

Development of Physician Network

Beginning in 2009, JRMC embarked on a program of expanding its network of both primary care and specialty physicians to include the following physician organizations:

Prime Medical Group, PCG 1
Primary Care Group 2, Inc.
Primary Care Group 3, Inc.
Primary Care Group 4, Inc.
Primary Care Group 5, Inc.
Primary Care Group 6, Inc.
Primary Care Group 7, Inc.
Primary Care Group 8, Inc.
Primary Care Group 9, Inc.
Primary Care Group 10, Inc.

Primary Care Group 11, Inc.
Primary Care Group 12, Inc.
Primary Care Group 13, Inc.
Primary Care Group 14, Inc.
Family Practice Medical Associates South, Inc.
Specialty Group Practice 1, Inc.
Grandis, Rubin, Shanahan and Associates
Steel Valley Orthopaedic and Sports Medicine
Jefferson Hills Surgical Specialists

JOINT VENTURES AND OTHER ARRANGEMENTS

JRMC participates in a number of joint ventures, including:

Chartwell: On March 1, 2000 Jefferson Diversified Health Services Corporation, formerly an affiliate of JRMC (“JDHSC”), purchased an interest in Chartwell Pennsylvania L.P., which is a joint venture formed by Jefferson Diversified Health Services Corporation, UPMC Home Care Services, Inc. (“UPMC”) and other parties to provide home infusion services.

UPMC VNA Home Health: In October 2000 JDHSC (a JRMC affiliated entity), UPMC and several other entities established a joint venture to operate a freestanding home health agency.

Waterfront Surgery Center, LLC: JRMC has an ownership interest in this ambulatory surgical center located in Homestead, Pennsylvania. The remaining partners are comprised primarily of physicians, many of whom are on JRMC’s medical staff.

Waterfront Medical Associates: In 2001, South Hills Health System purchased an interest a freestanding, medical building located in Homestead, Pennsylvania. Most of the remaining partners are physicians, many of whom are on JRMC’s medical staff. In December of 2012, Waterfront Medical Associates, L.P. sold its building to a new partnership named WSC Realty Partners, L.P.

Jefferson/UPMC Cancer Associates: JRMC and UPMC Cancer Associates are equal partners in a radiation oncology center at Jefferson Hospital, which began operations in November 2005.

JRMC has contractual arrangements with all key insurance companies and managed care companies in the Pittsburgh marketplace. These include Highmark Blue Cross/Blue Shield, UPMC Health Plan, Aetna and HealthAmerica.

ACCREDITATIONS AND MEMBERSHIPS

JRMC has received accreditations and approvals from the following:

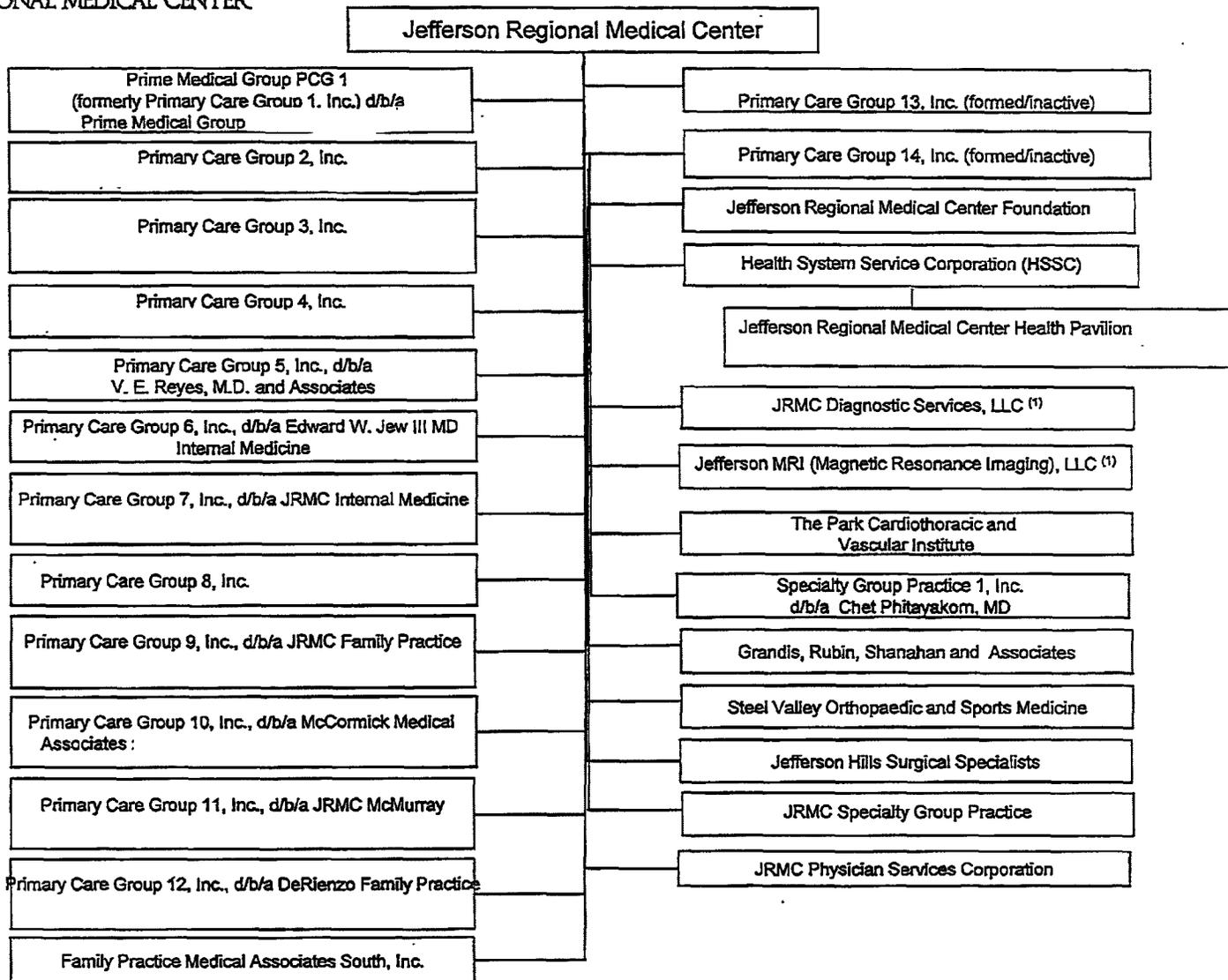
Joint Commission on Accreditation of Healthcare Organizations
Commonwealth of Pennsylvania Department of Health

JRMC also has membership in the following associations:

Hospital Council of Western Pennsylvania
American Association of Blood Banks
Pennsylvania Medical Society
Voluntary Hospitals of America
The Hospital & Health System Association of Pennsylvania (HAP — Harrisburg, PA)
JCAHO — Continuous Survey Readiness Program

TAB D2

Legal Organization



TAB D3

General Description of Saint Vincent Health System/Saint Vincent Health Center

History and Corporate Structure

Saint Vincent Health Center. Saint Vincent Health Center ("SVHC") was founded by the Sisters of St. Joseph of Northwestern Pennsylvania ("SSJ") in 1875 under the name of St. Vincent Hospital Association. It was incorporated under Pennsylvania law on December 10, 1894 as The St. Vincent Hospital Association. SVHC established Erie's first community hospital which originally consisted of 12 beds staffed by 3 nurses. Today, SVHC operates a Pennsylvania Department of Health ("DOH")-licensed acute care hospital (the "Health Center Facility") which has a total of 428 licensed beds including 304 medical/surgical beds, 40 ICU beds, 32 psychiatric beds and 31 acute rehab beds. In addition, the Health Center Facility maintains 27 nursery bassinets and a 21 bed neonatal intensive care unit. This makes the Health Center Facility one of the largest hospitals in northwestern Pennsylvania and a major employer in the region. The Health Center Facility is a full service hospital providing most types of short term medical care for patients in the 15-county regions of northwestern Pennsylvania, northeastern Ohio and southwestern New York. The Health Center Facility is located in Erie, Pennsylvania, approximately 90 miles east of Cleveland, Ohio, 90 miles west of Buffalo, New York, and 120 miles north of Pittsburgh, Pennsylvania.

SVHC also owns and operates two major outpatient centers separately licensed by DOH: Saint Vincent Surgery Center (an ambulatory surgical facility on the campus of the Health Center Facility in which outpatient procedures are performed by surgeons practicing different specialties) and Saint Vincent Endoscopy Center (an off-campus ambulatory surgical facility concentrating on endoscopy and related/similar procedures).

Saint Vincent Health System and Saint Vincent Foundation for Health and Human Services. In addition to serving as the sponsor organization for SVHC, the SSJ also serve as the sponsor for Saint Vincent Health System (the "Health System") and Saint Vincent Foundation for Health and Human Services (the "Foundation"). The Health System is the parent company of controlled affiliates Westfield Memorial Hospital ("WMH"), Clinical Services, Inc. ("CSI"), Saint Vincent Medical Education and Research Institute, Inc. d/b/a Saint Vincent Medical Group (the "Medical Group") and Saint Vincent Affiliated Physicians.

The Foundation is a non-profit organization sponsored by SSJ. The Foundation serves as a fund raising and development organization in support of the mission of SVHC, the Health System and their affiliates.

Affiliations

SVHC is affiliated with a number of medical-related business ventures as a result of ownership and affiliation agreements of SVHC and the Health System. The Health System and SVHC have, along with other business partners, an ownership interest in a regional cancer center, reference laboratories, a freestanding surgical center, a freestanding endoscopy center, a freestanding women's center, a helicopter and ambulance service, a community blood bank, and a regional network for heart-related services.

Saint Vincent Medical Education and Research Institute, Inc. d/b/a Saint Vincent Medical Group. The Health System has 100% control of the Medical Group, a multidisciplinary medical group comprised of approximately 50 primary care and 53 specialist physicians in support of SVHC and its affiliates. The Medical Group employs physicians and operates physician practices serving patients at multiple locations in SVHC's service area.

Vantage. SVHC and the Health System are owners/members of Vantage Health Group, Vantage Holding Company, LLC, and related entities ("Vantage"), a coalition of seven healthcare organizations in western Pennsylvania. Vantage is designed to enhance each member's operations and healthcare service delivery by sharing resources and creating economies of scale. Vantage business ventures include a regional healthcare linen service, a telecommunications service, a regional closed-door pharmacy, mobile imaging and lithotripsy services, a regional durable medical equipment supplier and an intravenous home therapy provider and access to a group purchasing organization for supply chain savings.

Saint Vincent Outpatient Campuses. In 2001, Union City Memorial Hospital ("Union City") located in Union City, Pennsylvania approximately 22 miles southeast of Erie, Pennsylvania, was merged into SVHC. The inpatient unit at Union City was closed, and the Saint Vincent Outpatient Center at Union City was created. The Saint Vincent Outpatient Center at Union City provides accessible diagnostic services to the local community. Services include laboratory, routine and advanced diagnostic testing; imaging services, including mammography; physical, occupational and respiratory therapy services; and a Medical Group family practice office.

The Saint Vincent Outpatient Center at Yorktown Commons, located approximately 3 miles northwest of the main Health Center Facility campus in Erie, Pennsylvania, houses an imaging center with five modalities of diagnostic imaging services including full time magnetic resonance imaging (MRI) and computed tomography (CT) scans as well as ultrasound and routine x-ray; a freestanding endoscopy center; two Medical Group primary care practices; and a laboratory draw station. The facility is in long term leased space and adjacent to Saint Vincent-loyal obstetrics/gynecology physician practice and an additional Saint Vincent-loyal primary care practice.

Westfield Memorial Hospital. In 1999, the Health System became the sole corporate member of Westfield Memorial Hospital ("WMH"), located in northern Chautauqua County, New York, approximately 35 miles from Erie, Pennsylvania. In 2010, as directed by the New York State Department of Health, WMH was converted to an outpatient facility with four inpatient beds to stabilize critically ill patients prior to transport to Saint Vincent (or other appropriate facility) in order to best serve residents of this rural community. Saint Vincent specialists also provide a range of services at WMH for residents of Chautauqua County.

Facilities

The Health Center Facility sits on SVHC's approximately 13.75 acre campus in Erie, Pennsylvania (the "Campus"). In addition to the Health Center Facility, an 85,582 square foot medical office building (the "Hardner Building"), a 107,250 square foot surgery center/medical

office building and a 274,391 square foot seven-level parking garage are located on the Campus (collectively, the "Facilities").

Patient Services

The Health Center Facility's licensed and staffed bed capacity is 428 acute care beds. The combined complement of beds in service is presented below:

Bed Complement

Medical/Surgical	174
ICU/CCU	40
Neo-Natal	21
Pediatrics	20
OB/GYN	40
Cardiology	70
Psychiatric	32
Rehabilitation	31
*Total Acute Licensed Beds	428

*Total excludes 27 nursery beds and 29 short stay beds
Source: SVHC Management

SVHC provides a comprehensive range of inpatient and outpatient services to its patients to meet the needs of its service area. The following table outlines the key attributes of services unique to SVHC's mission and market position.

MEDICAL SPECIALTIES	HIGHLIGHTED SERVICES
Cardiology	
<ul style="list-style-type: none"> Heart and Vascular 	Saint Vincent Heart and Vascular Center is the region's leader in heart and vascular care, offering a full spectrum of diagnostic and interventional cardiac services as well as electrophysiology, cardiac, vascular and thoracic surgery. A recent clinical affiliation with Cleveland Clinic Heart and Vascular Institute gives patients in Erie access to the most advanced research, programs, technologies and clinical techniques. SVHC enjoys a strong regional preference as the tertiary heart center for a 15-county area. Cardiac telemedicine services are also provided to regional referring hospitals for heart patients in the region.
Diagnostic Medicine	
<ul style="list-style-type: none"> Pathology 	Fully integrated laboratory, pathology service and blood bank.

MEDICAL SPECIALTIES	HIGHLIGHTED SERVICES
<ul style="list-style-type: none"> Radiology 	<p>Full scope of inpatient and outpatient radiology services, including non-interventional and interventional neuroradiology. Services located within the hospital and in multiple outpatient settings, including a medical mall (Yorktown Commons) on the west side of Erie and The Regional Cancer Center ("TRCC"), a freestanding facility providing comprehensive care for patients with cancer and blood disorders.</p>
Emergency Medicine	
<ul style="list-style-type: none"> Acute Care & Urgent Care 	<p>The Saint Vincent Emergency Department is the busiest in the area, serving approximately 75,000 patients in fiscal year 2012. Saint Vincent has a cardiologist onsite 24/7, so that when patients having chest pain arrive in the Emergency Department, a Heart Stat team will be there waiting for them. The Heart Stat team, with an onsite 24/7 cardiologist, consistently exceeds national standards for heart attack treatment. Through collaboration with The Cleveland Clinic Telestroke Network, stroke patients are diagnosed using video-conferencing telemedicine equipment that provides a dedicated link to Cleveland Clinic's team of neurological specialists 24/7. The Saint Vincent ER also provides special expertise and separate facilities for emergent mental health assessment and sexual assault/child abuse cases. Saint Vincent also maintains an Urgent Care Center on the east side of Erie providing convenient access for urgent care patients in an outpatient setting.</p>
Family Medicine/Primary Care	<p>Region's largest provider of primary care services, with 19 outpatient primary care facilities for adult and pediatric care and a three-year allopathic family practice residency program. The Saint Vincent Family Practice Residency has graduated nearly 200 physicians to date - many of whom have established practices within SVHC's market.</p>
Hospitalists/General Internal Medicine	<p>A dedicated group of hospitalists serve SVHC's inpatient population 24/7.</p>
Internal Medicine Specialties	
<ul style="list-style-type: none"> Allergy/Immunology 	<p>In partnership with an allergy/immunology practice, SVHC provides an allergy clinic for the underserved.</p>
<ul style="list-style-type: none"> Critical Care 	<p>Dedicated group of critical care/pulmonary specialists and nurse practitioners to ICU and other patients.</p>
<ul style="list-style-type: none"> Gastroenterology 	<p>Full inpatient and outpatient care, including in-hospital and freestanding outpatient endoscopy center. Full range of non-surgical interventions.</p>
<ul style="list-style-type: none"> Hematology/Oncology 	<p>Region's preferred provider by physicians and patients for inpatient cancer care providing a range of services including screenings and diagnostics, a dedicated cancer nurse navigator and complete integration of inpatient and outpatient care for patients and families.</p>
<ul style="list-style-type: none"> Infectious Diseases 	<p>Only regional hospital with dedicated infectious disease team which includes three full-time infectious disease physicians and three full-time infectious disease nurses with expertise in epidemic and pandemic response, and travel medicine.</p>
<ul style="list-style-type: none"> Nephrology 	<p>Full range of inpatient and outpatient nephrology services including IP dialysis, plasmapheresis, and coordination with outpatient dialysis centers throughout the region.</p>

MEDICAL SPECIALTIES	HIGHLIGHTED SERVICES
<ul style="list-style-type: none"> Neurology 	<p>The Saint Vincent Neurosciences program provides the region's most advanced treatment of neurological conditions with an expert team of neurosurgeons, a neurointerventionalist and experienced neurologists. A clinical affiliation with The Cleveland Clinic Telestroke Network, provides immediate diagnosis and treatment for stroke patients through a dedicated telemedicine link 24/7. The program also provides a full range of inpatient and outpatient services and sleep disorder services.</p>
<ul style="list-style-type: none"> Pulmonary Medicine 	<p>Full range of inpatient and outpatient pulmonary services with special emphasis on critical care medicine. Expertise in advanced bronchoscopy for treatment of lung cancer and advanced treatment for asthma and chronic obstructive pulmonary disease as well as sleep disorders.</p>
<p>Pediatrics/Neonatology</p>	<p>Full service pediatric care ranging from outpatient pediatric offices and clinics to inpatient units for general peds and the most critically ill infants requiring neonatal intensive care. Two dedicated neonatologists staff the 21-bed state-of-the-art neonatal intensive care unit caring for infants from counties through northwestern Pennsylvania, southwestern New York and northeastern Ohio.</p>
<p>Psychiatry</p>	<p>Full-service behavioral health center, offering inpatient services - including specialized emergency assessment and dedicated adult/geropsych programs.</p>
<p>OB/GYN</p>	<p>The Saint Vincent Mother and Baby Unit includes a team of OB/GYNs, three certified nurse midwives and the region's most experienced nursing staff. Recent renovations include 27 private postpartum and antepartum/gyn rooms, a 27-bed nursery and 21-bed neonatal intensive care unit along with 2 operating rooms and 10 private labor/delivery rooms. The unit handles nearly 1,200 births and 150 NICU admissions from Erie and the surrounding region.</p>
<p>Neuro/Ortho Surgery</p>	<p>Largest team of neurosurgeons in the region that provide a full range of neurosurgery services including brain, spine, neuro-intervention, digital biplane technology, kyphoplasty/vertebroplasty, artificial cervical disc replacement and trilogi® stereotactic radiosurgery.</p>
<ul style="list-style-type: none"> Neurosurgery Orthopedic Surgery 	<p>Full range of orthopedic surgery from basic and complex fracture care to innovative joint replacement, along with femoral nerve block anesthesia and laminar flow operating rooms. Specially designed and operated Joint Center for total joint replacements consistently rates among the best in the nation for patient satisfaction.</p>
<ul style="list-style-type: none"> Rehab/Physical Medicine 	<p>Integrated network of inpatient and outpatient rehabilitation services anchored by a 31-bed inpatient unit and multiple outpatient rehab sites and a sports medicine center.</p>
<p>Surgical Specialties</p>	<ul style="list-style-type: none"> Bariatric Surgery <p>Saint Vincent Bariatric Center offers minimally invasive, laparoscopic weight-loss procedures including gastric bypass, sleeve gastrectomy and gastric banding and includes a team of board certified surgeons and a multidisciplinary team of experts.</p>

MEDICAL SPECIALTIES	HIGHLIGHTED SERVICES
<ul style="list-style-type: none"> • Colon-Rectal Surgery 	Full-service colorectal surgery program and residency, offering fellowship training. 300+ major abdominal cases (2:1 open:lap), 400 anorectal cases (including transanal endoscopic microsurgery), 100 physiologic studies, and 3000 colonoscopies annually. First facility in western Pennsylvania to offer TEMS technology for the treatment of rectal cancer.
<ul style="list-style-type: none"> • General Surgery 	Full range of inpatient and outpatient general surgery both traditional and minimally invasive. Saint Vincent provides a variety of surgical options, from minimally invasive laparoscopic procedures to procedures utilizing the region's most innovative surgical equipment, the da Vinci®. SVHC's surgeons also provide regional outreach for rural hospitals including regularly scheduled surgery and respite care for regional surgeons.
<ul style="list-style-type: none"> • Pancreatic Surgery 	New diagnostic and surgical capabilities to treat hepatobiliary and pancreas cancer as well as other diseases affecting the gall bladder, bile duct, liver and pancreas.
<ul style="list-style-type: none"> • Otolaryngology 	Progressive surgical service offering full range of ear, nose and throat care. Pioneers in cochlear implant surgery, sinus surgery, thyroid surgery and Baja procedures.
<ul style="list-style-type: none"> • Plastic/Reconstructive Surgery 	Offering both cosmetic and reconstructive surgery. Emphasis on breast reconstruction, in coordination with the Saint Vincent Cancer Care and Women's Centers.
<ul style="list-style-type: none"> • Urology 	Offering a full range of urology services including traditional and minimally invasive surgeries, laser and cryosurgery. Surgeons are also proficient in robotic prostatectomy.
Thoracic/Cardiovascular Surgery	Referral base of 15 counties in tri-state area, with a population of approximately 1,000,000. Offering surgical services from minimally invasive cardiovascular and beating heart surgery to complex surgery, including AV/mitral valve reconstruction and replacement, as well as advanced pulmonary vein and thoracic surgeries.

Medical Staff

SVHC's medical staff includes physicians with active, courtesy, provisional and senior designations as well as allied health providers including Certified Registered Nurse Anesthetists, Certified Registered Nurse Practitioners, Midwives and Physician Assistants. The majority of all admissions are made by physicians with active and courtesy designations.

Service Area

The primary service area (the "Primary Service Area") of SVHC is Erie County, Pennsylvania which represents approximately 83% of discharges. The secondary service area (the "Secondary Service Area") of SVHC extends throughout northwestern Pennsylvania and into the border counties of New York and Ohio.

Educational Programs

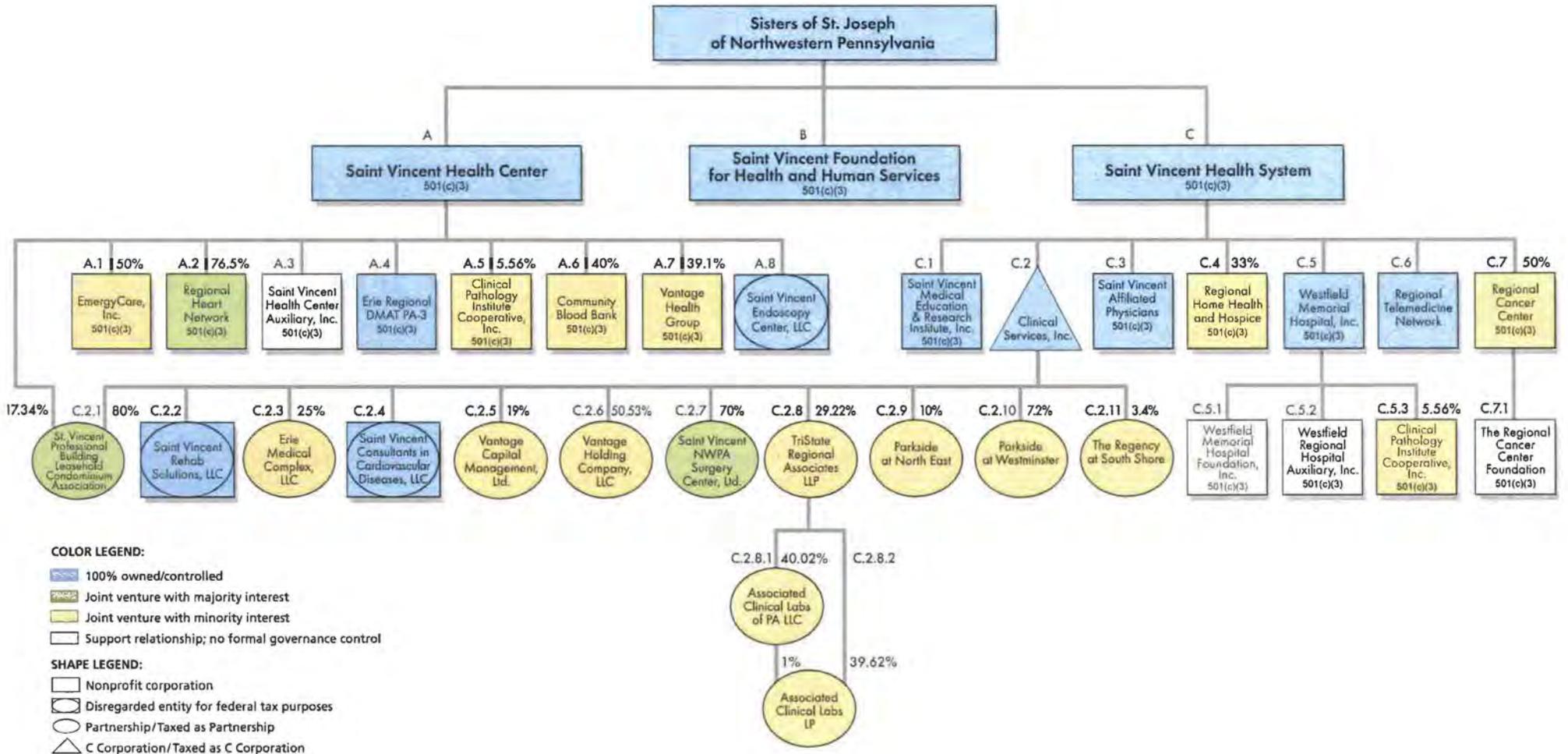
SVHC maintains residencies in Family Practice Post Graduate Year ("PGY") 1-3, Primary Care Sports Medicine PGY 4, Emergency Medicine PGY 1-4 and Colon-Rectal Surgery

PGY 6. SVHC also affiliates with Lake Erie College of Osteopathic Medicine, Hershey Medical Center, Temple University, MCP-Hahnemann University, and Case Western for the training of medical students.

SVHC also maintains a training program for medical technologists and radiology technologists.

TAB D4

Saint Vincent Health System



COLOR LEGEND:

- 100% owned/controlled
- Joint venture with majority interest
- Joint venture with minority interest
- Support relationship; no formal governance control

SHAPE LEGEND:

- Nonprofit corporation
- Disregarded entity for federal tax purposes
- Partnership/Taxed as Partnership
- C Corporation/Taxed as C Corporation

NOTES/EXCEPTIONS:

- For joint ventures organized as nonprofit corporations, except where otherwise noted, percentages reflect governance control; economic interests may be different.
- For joint ventures organized as partnerships, except where otherwise noted, percentages reflect ownership/economic interest; governance control may be different.
- A.5 and C.5.3 are the same entity.
- A.7 percentage reflects economic interest; governance control is less than 39.1%.
- A.8 is no longer active and is in process of being wound up and dissolved.
- C.1 is a Pennsylvania nonstock professional (business) corporation.
- C.2.6 is shown as minority interest because governance control is less than 50%.

TAB D5

**Statement Concerning the Structure and Governance
of the Corporate Entities Involved
In the Affiliation Transactions**

A. *Corporate Status of Entities Prior to the Affiliation Transactions*

1. Highmark is a Pennsylvania nonprofit corporation with members (as defined in 15 Pa. C.S.A. §5103) organized under the provisions of the Nonprofit Corporation Law of 1988, 15 Pa. C.S. § 5101 *et seq.* (the “Nonprofit Law”). Highmark is the parent company of an insurance holding company system reflected in Amendment No. 2 to the Form A at Tab B.

2. WPAHS is a Pennsylvania nonprofit corporation organized without members under the provisions of the Nonprofit Law. WPAHS is organized for scientific, educational and charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code (“Section 501(c)(3)”). WPAHS is the parent corporation of a multi-institutional nonprofit health system that provides a spectrum of health care services throughout western Pennsylvania, including quaternary health services. WPAHS operates (a) Allegheny General Hospital which consists of the AGH Main Campus and the AGH Suburban Campus which together operate as one licensed hospital and (b) The Western Pennsylvania Hospital which consists of the West Penn Campus and Forbes Campus which operate as two separately licensed hospitals. WPAHS controls various subsidiaries (collectively the “WPAHS Subsidiaries”) including (a) Canonsburg General Hospital and (b) Alle-Kiski Medical Center, both of which operate acute care hospitals. WPAHS and the WPAHS Subsidiaries own certain rights, title or interest in other corporations, joint ventures, partnerships, limited liability companies and other entities (the “WPAHS Affiliates”). WPAHS and the WPAHS Subsidiaries are reflected in the Form A filing at Tabs C and D and in Amendment No. 2 to Form A, Item 1(B)(a).

3. Jefferson Regional Medical Center (“JRMC”) is a Pennsylvania nonprofit corporation organized without members under the provisions of the Nonprofit Law. JRMC is organized for scientific, educational and charitable purposes within the meaning of Section 501(c)(3). JRMC is the parent corporation of a multi-institutional nonprofit health system that provides a broad spectrum of health care services. JRMC operates Jefferson Regional Medical Center, an acute care hospital located in Jefferson Hills, Pennsylvania that is licensed to operate 369 beds. JRMC controls various subsidiaries (the “JRMC Subsidiaries”) and owns certain rights, title and interests in other corporations, joint ventures, partnerships, limited liability companies and other entities (the “JRMC Affiliates”). JRMC and the JRMC Subsidiaries are reflected in Amendment No. 2 to Form A at Tabs D1 and D2.

4. Saint Vincent Health System (“SVHS”) and Saint Vincent Health Center (“SVHC”) are each Pennsylvania nonprofit corporations organized under the provisions of the Nonprofit Law and having Sisters of St. Joseph of Northwestern Pennsylvania (the “SSJ Member”) as their sole member (as defined in 15 Pa. C.S.A. § 5103). SVHS and SVHC are each organized for scientific, educational and charitable purposes within the meaning of Section 501(c)(3). SVHS and SVHC are the parent corporations or operators of health care facilities and other entities that collectively comprise a multi-institutional nonprofit health system that provides a broad spectrum of health care services. SVHC operates Saint Vincent Health Center, an acute care hospital located in Erie, Pennsylvania, and a subsidiary of SVHS operates Westfield Memorial Hospital, an acute care hospital located in Westfield, New York. SVHS and SVHC control various subsidiaries (the “SVHS/SVHC Subsidiaries”) and own certain rights, title and interests in other corporations, joint ventures, partnerships, limited liability companies and other entities (the “SVHS/SVHC Affiliates”). SVHS and SVHC and the SVHS/SVHC

Subsidiaries are reflected in Amendment No. 2 to Form A at Tabs D3 and D4.

B. *Structure of Corporate Entities in the Affiliation Transactions*

1. A new Pennsylvania nonprofit corporation without members, UPE, organized under the provisions of the Nonprofit Law, was formed on October 20, 2011 by filing of Articles of Incorporation with the Pennsylvania Department of State, copies of which are attached to the Form A at Tab F. The Bylaws of UPE were adopted by the UPE Board of Directors, copies of which are attached to the Form A at Tab G. A copy of the Amended and Restated Bylaws of UPE which will be effective at the Closing of the WPAHS Affiliation Transaction (the “Closing”) are attached to Amendment No. 2 to the Form A at Tab H. UPE is organized for scientific, educational and charitable purposes within the meaning of Section 501(c)(3).

2. A new Pennsylvania nonprofit corporation, UPE Provider Sub, organized under the provisions of the Nonprofit Law, was formed on October 20, 2011, by filing of Articles of Incorporation with the Pennsylvania Department of State, copies of which are attached to the Form A at Tab J. The Bylaws of UPE Provider Sub were adopted by its Board of Directors, copies of which are attached to the Form A at Tab K. A copy of the Amended and Restated Bylaws of UPE Provider Sub which will be effective at the Closing of the WPAHS Affiliation Transaction are attached to Amendment No. 2 to Form A at Tab L. The sole member (as defined in 15 Pa. C.S.A. §1503) of UPE Provider Sub is UPE. UPE Provider Sub is organized for scientific, educational and charitable purposes within the meaning of Section 501(c)(3).

3. Subject to the terms and conditions of the WPAHS Affiliation Agreement, effective at the Closing of the WPAHS Affiliation Transaction, the WPAHS Board of Directors will take or cause to be taken all such actions as may be necessary or appropriate:

(a) As of the Closing of the WPAHS Affiliation Transaction to restructure WPAHS to be a Pennsylvania nonprofit corporation with members (as defined in Pa. C.S.A. § 5013); and

(b) Effective at Closing, to create a new class of membership with UPE Provider Sub becoming the sole member of WPAHS. WPAHS will become a direct subsidiary of UPE Provider Sub as of the Closing of the WPAHS Affiliation Transaction. WPAHS and the WPAHS Subsidiaries will retain title to their respective assets and operations, provided, however, that WPAHS and the WPAHS Subsidiaries will become part of the integrated health system of UPE and its affiliates.

4. None of UPE, UPE Provider Sub or Highmark will assume or become liable for, and WPAHS, each WPAHS Subsidiary and each WPAHS Affiliate shall respectively retain, and thereafter remain responsible for paying when due, the respective debts, obligations and liabilities as they exist before, as of and at any time after the effective time of the WPAHS Affiliation Transaction.

5. Subject to the terms and conditions of the WPAHS Affiliation Agreement, effective at the Closing of the WPAHS Affiliation Transaction, the Highmark Board of Directors will take or cause to be taken all such actions as may be necessary or appropriate:

(a) To restructure Highmark to be a Pennsylvania nonprofit corporation with two classes of members (as defined in 15 Pa. C.S.A. §5103): a class of Corporate Membership and a class of Director Members; and

(b) To grant to UPE the Corporate class of membership, such that UPE will hold all membership rights in Highmark, except that the directors of Highmark, who will constitute the class of Highmark Director Members, will have the right, power and duty to

determine the requisites for persons of low income eligible for benefits under Highmark's health care plans, subject to the approval by the Pennsylvania Insurance Commissioner and such other rights as may be required by applicable law. Highmark will become a direct subsidiary of UPE effective as of the Closing of the WPAHS Affiliation Transaction. Highmark will retain title to its assets and operations, provided, however, that Highmark will operate as part of the integrated health system of UPE and its affiliates.

6. None of UPE, UPE Provider Sub or WPAHS will assume or become liable for, and Highmark shall retain and thereafter remain responsible for paying when due, its respective debts, obligations and liabilities as they exist before, as of, and any time after the effective time of the WPAHS Affiliation Transaction.

7. Subject to the terms and conditions of the JRMC Affiliation Agreement, effective at the closing of the JRMC Affiliation Transaction, the JRMC Board of Directors will take such action as may be necessary or appropriate to restructure JRMC as of the closing of the JRMC Affiliation Transaction to be a Pennsylvania nonprofit corporation with members with UPE Provider Sub being JRMC's sole member (as defined in 15 Pa. C.S.A. § 5103). Except as otherwise expressly set forth in the JRMC Affiliation Agreement, none of UPE, UPE Provider Sub or Highmark will assume or become liable for, and the JRMC Subsidiaries and the JRMC Affiliates shall respectively retain, and thereafter remain responsible for paying when due, their respective debts, obligations and liabilities as they exist before, as of, or at any time after the effective time of the JRMC Affiliation Transaction.

8. Subject to the terms and conditions of an SVHS/SVHC Affiliation Agreement to be entered into in order to effectuate the SVHS/SVHC Affiliation Transaction, which SVHS/SVHC Affiliation Agreement is currently being negotiated by the parties, effective at the

closing of the SVHS/SVHC Affiliation Transaction, it is currently intended that the SSJ Member will take or cause to be taken all such actions as may be necessary or appropriate to transfer, convey and deliver to UPE Provider Sub (or its affiliated designee) all membership rights, title and interest in and to SVHS and SVHC such that UPE Provider Sub (or its affiliated designee) will become the sole member (as defined in 15 Pa. C.S.A. § 5103) of SVHS and SVHC. It is currently intended that none of UPE, UPE Provider Sub or Highmark will assume or become liable for, and the SVHS/SVHC Subsidiaries and the SVHS/SVHC Affiliates shall respectively retain, and thereafter remain responsible for paying when due, their respective debts, obligations and liabilities as they exist before, as of, or at any time after the effective time of the SVHS/SVHC Affiliation Transaction.

C. *Governance Structure and Board Composition - UPE*

1. UPE has no members.
2. The structure and initial composition of the Board of Directors of UPE was determined by the incorporator, taking into account the limitations of Section 501(c)(3).
3. The Board of UPE is to consist of not fewer than three directors with the number to be determined by the Board of Directors of UPE.
4. The current directors of UPE are: William Winkenwerder, M.D., M.B.A., J. Robert Baum, Ph.D., David A. Blandino, M.D., David J. Malone, David M. Matter., and Victor A. Roque. All of such directors are also directors of Highmark. Such directors will serve in office in accordance with the UPE Articles of Incorporation and corporate Bylaws, which provide for staggered three-year terms and for an ex-officio board position for the Chief Executive Officer. Pursuant to an agreement with the Pennsylvania Attorney General, all of the directors of UPE may serve on the Highmark Board of Directors for the first three years

following the change of control of Highmark in favor of UPE. Thereafter, at least one such director must resign from the UPE Board of Directors each year such that, by the end of the seventh year following the change of control, a majority of the directors of UPE will: (a) not have been an employee of Highmark or its taxable affiliates; and (b) not have been a director of Highmark and its taxable affiliates for at least five years.

5. At least a majority of the UPE directors will be “independent directors” as defined for exempt organizations under Section 501(c)(3). No director, other than the ex-officio director, may be an employee of UPE or any entity controlled by UPE.

6. The members of the Board of Directors of UPE must include at least one person who is also serving as a member of the board of directors of each hospital in the UPE system. This requirement can be satisfied by one person serving on all such boards or by different UPE directors serving on hospital boards.

7. The current officers of UPE as elected by the Board of Directors are as follows:

President and Chief Executive Officer William Winkenwerder, M.D., M.B.A

Treasurer Nanette P. DeTurk

Secretary Thomas L. VanKirk

8. The UPE Bylaws that will be in effect at Closing provide for the establishment of a Corporate Governance and Nominating Committee, an Audit Committee and a Personnel and Compensation Committee. The individuals to serve on these committees will be appointed before the Closing.

D. *Governance Structure and Board Composition of Highmark*

1. Except as described otherwise above, the structure and composition of the Highmark Board as of and after the Closing shall remain as presently structured and composed,

subject to normal turnover and filling of vacancies.

2. As the holder of the corporate class of membership of Highmark, UPE will have such reserved powers relative to Highmark as will be set forth in the Second Amended and Restated Bylaws of Highmark attached to Addendum No. 1 to Amendment No. 1 to the Form A at Tab D.

3. The officers of Highmark as of the Closing are anticipated to be the same as the present officers with the exception that the Chief Executive Officers of UPE and of Highmark will not be the same individual.

4. The committees of the Highmark Board shall remain as presently constituted subject to normal turnover and replacements.

E. *Governance Structure and Board Composition of UPE Provider Sub*

1. The sole member of UPE Provider Sub is UPE.

2. The structure of the UPE Provider Sub Board of Directors as of the Closing will be as described in the UPE Provider Sub Articles of Incorporation and corporate Bylaws.

3. The number of members of the Board of Directors is determined by UPE as sole member, but in no case may there be fewer than three (3) members. At least a majority of the directors are to be “independent directors” as defined for exempt organizations under Section 501(c)(3). The members of the Board of Directors must include at least one person who is serving as a member of the board of directors of each subsidiary hospital. Terms of the directors are staggered.

4. The current board of directors consists of the same individuals who are serving as directors of UPE. Upon Closing of the WPAHS Affiliation Transaction, one WPAHS representative to be identified will be elected to the Board of Directors of UPE Provider Sub.

Upon closing of the JRMC Affiliation Transaction, one individual serving on the Board of Directors of UPE Provider Sub will be an individual appointed by the pre-closing JRMC Board (a “Jefferson JRMC Board Appointee”), whose appointment will be subject to the approval and election of the UPE Board, such approval to not be unreasonably withheld.

5. The current officers of UPE Provider Sub as elected by the Board of Directors are as follows:

President	John W. Paul
Treasurer	Nanette P. DeTurk
Secretary	Thomas L. VanKirk

6. The UPE Provider Sub Bylaws that will be in effect at Closing provide for the establishment of a Corporate Governance and Nominating Committee, an Audit Committee and a Personnel and Compensation Committee. The members of the committees will be appointed prior to Closing.

7. UPE, as sole member of UPE Provider Sub, has such reserved powers relative to UPE Provider Sub as are set forth in the corporate Bylaws of UPE Provider Sub, including, without limitation, the power to appoint and remove Directors serving on the UPE Provider Sub Board of Directors.

8. Other powers reserved to UPE as sole member of UPE Provider Sub include, *inter alia*, the following, all subject to the provisions of the Bylaws and such limitations as are imposed by the WPAHS and JRMC Affiliation Agreements and as may be imposed by the SVHS/SVHC Affiliation Agreement:

(a) To determine the number of directors who will serve on the Board of UPE Provider Sub and its subsidiaries;

- (b) To elect directors of UPE Provider Sub and its subsidiaries, as well as to remove and replace any such directors;
- (c) To approve the election, re-election and removal of all officers, including the Chief Executive Officers of UPE Provider Sub and its subsidiaries;
- (d) To amend, revise, or restate the Bylaws of UPE Provider Sub and its subsidiaries;
- (e) To make substantial changes to UPE Provider Sub or its subsidiaries, including their missions or general structure or to dissolve, divide, convert, liquidate, merge, consolidate or sell the assets of UPE Provider Sub or its subsidiaries;
- (f) To approve the annual capital and operating budgets;
- (g) To approve incurrence of substantial debt and capital improvements; and
- (h) To select and appoint auditors and approve and initiate investment policies.

F. *Governance Structure and Board Composition of WPAHS*

1. Upon Closing of the WPAHS Affiliation Transaction, seventy-five percent (75%) the WPAHS Board of Directors will be appointed by UPE with the remaining twenty-five percent (25%) consisting of a self-perpetuating group initially selected by the current WPAHS directors and who are community representatives and physicians affiliated with WPAHS prior to the transaction. Any director may be removed, without or without cause (as that term is defined in the WPAHS Affiliation Agreement) by UPE; provided, however, that only a majority of the other self-perpetuating directors may remove a self-perpetuating director whether with or without cause.

2. UPE and UPE Provider Sub Boards of Directors will have such reserved powers relative to WPAHS as are set forth in the Amended and Restated Bylaws of WPAHS which are

attached to Amendment No. 2 to Form A at Tab M.

G. *Governance Structure and Board Composition of WPAHS Subsidiaries*

1. Pursuant to the WPAHS Affiliation Agreement, at Closing, the WPAHS Subsidiaries will amend their respective articles of incorporation and bylaws, as necessary, to adopt prototype provisions that reserve certain powers to UPE, including, *inter alia*, the power to determine the number of directors of the WPAHS Subsidiaries, to nominate and elect the directors of the WPAHS Subsidiaries, to remove directors of the WPAHS Subsidiaries, to approve the election, reelection and removal of officers of the WPAHS Subsidiaries, to revise the WPAHS Subsidiaries' articles and bylaws, and other specified substantial changes in the WPAHS Subsidiaries similar to those powers described with respect to the UPE Provider Sub. The prototypical provisions are attached as Exhibit 1 to this Statement.

H. *Governance Structure and Board Composition of JRMC*

1. Upon closing of the JRMC Affiliation Transaction, the current members of the Board of Directors of JRMC will each serve on the initial post-closing JRMC Board. Seventy-five percent (75%) of the voting members shall, at all times, be elected by UPE ("UPE JRMC Board Appointees") and 25% shall be Jefferson JRMC Board Appointees (initially consisting of eighteen (18) individuals). The size of the Board will decline as Board terms of the Jefferson JRMC Board Appointees expire such that, ultimately, the Jefferson JRMC Board Appointees shall have six (6) individuals who will become a self-perpetuating class of directors who will, by majority vote, elect their respective successors to the JRMC Board, provided that at least two (2) of these appointees shall be the President and Vice President of the JRMC Medical Staff. In addition, at least one (1) of the Jefferson JRMC Board Appointees shall be a Sister of the Community of Sisters of St. Joseph.

2. UPE and UPE Provider Sub Boards of Directors will have such reserved powers relative to JRMC as are set forth in the Amended and Restated Bylaws of JRMC which are attached as Exhibit 2 to this Statement.

I. *Governance Structure and Board Composition of JRMC Subsidiaries*

1. Pursuant to the JRMC Affiliation Agreement, at closing of the JRMC Affiliation Transaction, the JRMC Subsidiaries will amend their respective articles of incorporation and bylaws, as necessary, to adopt prototype provisions that reserve certain powers to UPE, including, *inter alia*, the power to elect and remove the officers of the JRMC Subsidiaries, to revise the JRMC Subsidiaries' articles and bylaws, and other specified substantial changes in the JRMC Subsidiaries similar to those powers described with respect to the UPE Provider Sub. The prototypical provisions are provided in Exhibit 3 to this Statement.

J. *Governance Structure and Board Composition of SVHS and SVHC*

1. It is currently intended that upon closing of the SVHS/SVHC Affiliation Transaction, the SVHS and SVHC Boards will be structured so that seventy-five percent (75%) of such Boards' composition will be elected by UPE. The other twenty-five percent (25%) of each such Board will be elected pursuant to a structure to be developed by SVHS/SVHC (with input from Highmark and UPE).

2. It is currently intended that UPE and UPE Provider Sub Boards of Directors will have such reserved powers relative to SVHS and SVHC similar to the reserved powers that UPE and UPE Provider Sub Boards of Directors will have over JRMC (as described above).

K. *Governance Structure and Board Composition of SVHS/SVHC Subsidiaries*

1. It is currently intended that, at closing of the SVHS/SVHC Affiliation Transaction, the SVHS/SVHC Subsidiaries will amend their respective articles of incorporation

and bylaws, as necessary, to adopt prototype provisions that reserve certain powers to UPE similar to the reserved powers that UPE will have over the JRMC Subsidiaries (as described above).

EXHIBIT 1

EXHIBIT F

EXCERPT OF PROTOTYPE GOVERNANCE DOCUMENT PROVISIONS

Inserts to Articles of Incorporation (or Other Comparable Organizational Document)

To the extent such provisions are not already set forth in the Articles of Incorporation of the qualifying WPAHS Subsidiaries (as such term is defined in the Affiliation Agreement), the following provisions (or other provisions with substantially similar import) shall be among those inserted in the Articles of Incorporation of each of the WPAHS Subsidiaries, in certain instances replacing existing provisions:

Pecuniary Gain or Profit

The Corporation does not contemplate pecuniary gain or profit, incidental or otherwise.

Exempt Organization

The Corporation is organized exclusively for scientific, charitable and educational purposes within the meaning of Section 501(c)(3) of the Code. Notwithstanding any other provision of these Articles, the Corporation shall not engage directly or indirectly in any activity which would prevent it from qualifying, and continuing to qualify, as a corporation described in Section 501(c)(3) of the Code (hereinafter referred to in these Articles as an "exempt organization"), or as a corporation contributions to which are deductible under Section 170(c)(2) or the Code. No substantial part of the activities of the Corporation shall be devoted to carrying on propaganda, or otherwise attempting to influence legislation (except as otherwise provided in Section 501(h) of the Code), and the Corporation shall not participate in or intervene in (including the publishing or distributing of statements) any political campaign on behalf of or in opposition to any candidate for public office.

Foundation Status

If and so long as the Corporation is a private foundation (as that term is defined in Section 509 of the Code), then notwithstanding any other provisions of these Articles, the Corporation shall be prohibited from engaging in any act of self-dealing (as defined in Section 4941(d) of the Code); from retaining any excess business holdings (as defined in Section 4943(c) of the Code); from making any investments in such manner as to subject the Corporation to tax under Section 4944 of the Code; and from making any taxable expenditures (as defined in Section 4945(d) of the Code), to the extent any action therewith would subject the Corporation to tax under one or more of the cited sections of the Code. To the extent required, the Corporation shall make qualifying distributions at such time and in such manner as do not subject the Corporation to tax under Section 4942 of the Code.

Earnings

Notwithstanding any other provision of these Articles, no part of the net earnings or assets of the Corporation shall inure to the benefit of or be distributable to its members, directors, trustees,

officers or any other private individual; provided, however, the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered to the extent such payments do not prevent it from qualifying, and continuing to qualify, as an exempt organization and to make such lawful payments and distributions in furtherance of the purposes set forth in Article ___ hereof as may from time to time be either required or permitted by Section 501(c)(3) of the Code.

Dissolution

Upon the dissolution or liquidation of the Corporation, after paying or making provision for payment of all of the known liabilities of the Corporation, any remaining assets of the Corporation shall be transferred to the Member, or its successor, provided that the Member or such successor is then in existence and then exempt from federal income taxes under Section 501(c)(3) of the Code. If upon the dissolution or liquidation of the Corporation, the Member, or its successor, is not in existence or no longer qualifies as an exempt organization under Section 501(c)(3) of the Code, any remaining assets of the Corporation shall be distributed to [Provider Subsidiary], or its successor, provided that [Provider Subsidiary] is then in existence and then exempt from federal income taxes under Section 501(c)(3) of the Code. If upon dissolution of the Corporation, both the Member and [Provider Subsidiary], or their successors, are not in existence or no longer qualify as exempt organizations under Section 501(c)(3) of the Code, any remaining assets of the Corporation shall be distributed to [Ultimate Parent Entity], or its successor, provided that [Ultimate Parent Entity] is then in existence and then exempt from federal income taxes under Section 501(c)(3) of the Code. If upon dissolution of the Corporation, each of the Member, [Provider Subsidiary] and [Ultimate Parent Entity], or their successors, are not in existence or no longer qualify as exempt organizations under Section 501(c)(3) of the Code, any remaining assets of the Corporation may be distributed to (a) such one or more corporations, trusts, funds or other organizations which at the time are exempt from federal income tax as organizations described in Section 501(c)(3) of the Code and, in the sole judgment of the Corporation's Board of Directors, have purposes similar to those of the Corporation or (b) the federal government, or to a state or local government for such purposes. Any such assets not so disposed of shall be disposed of by a court of competent jurisdiction exclusively to one or more of such corporations, trusts, funds or other organizations as said court shall determine, which at the time are exempt from federal income tax as organizations described in Section 501(c)(3) of the Code, and which are organized and operated for such purposes, or to the federal government or to a state or local government for such purposes. No private individual shall share in the distribution of any Corporation assets upon dissolution or sale of the assets of the Corporation.

Inserts to Bylaws (or Other Comparable Organizational Document)

To the extent such provisions are not already set forth in the Bylaws of the WPAHS Subsidiaries (as such term is defined in the Affiliation Agreement), the following provisions (or other provisions with substantially similar import) shall be among these inserted in the Bylaws of each of the qualifying WPAHS Subsidiaries, in certain instances replacing existing provisions:

Purposes

The Corporation is organized under the Pennsylvania Nonprofit Corporation Law, (the "Nonprofit Corporation Law") for scientific, educational and charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and in this connection is organized: [Insert From Existing Bylaws]

Membership

The Corporation shall have one (1) member, which shall be [*insert relevant WPAHS entity*] (the "Member"). There shall be no other members or classes of membership. The Chief Executive Officer or the President of the Member shall be entitled to vote on behalf of the Member in accordance with the authority granted to the Chief Executive Officer or the President of the Member unless the Member notifies the Corporation in writing that another officer is authorized to vote on behalf of the Member. The Member may voluntarily transfer its membership, subject to the reserved powers of the [Ultimate Parent Entity] as set forth in these Bylaws.

Reserved Powers

(a) Reserved Powers of Member:

The Member shall have the right and power to make recommendations to [Provider Subsidiary] and [Ultimate Parent Entity] with respect to actions by [Provider Subsidiary] and [Ultimate Parent Entity] on the matters reserved to [Provider Subsidiary] and [Ultimate Parent Entity] under Section ___ of these Bylaws. [Provider Subsidiary] and [Ultimate Parent Entity] shall have no obligation to approve any such recommendations, and may take actions that have not been recommended by, or that are contrary to recommendations of, the Member.

(b) Reserved Powers of [Provider Subsidiary]:

The [Provider Subsidiary] shall have the right and power to make recommendations to [Ultimate Parent Entity] with respect to actions by [Ultimate Parent Entity] on the matters reserved to [Ultimate Parent Entity] under Section ___ of these Bylaws. [Ultimate Parent Entity] shall have no obligations to approve any such recommendations, and [Ultimate Parent Entity] may take actions that have not been recommended by, or that are contrary to recommendations of, [Provider Subsidiary].

(c) Reserved Powers of [Ultimate Parent Entity]:

(i) To determine the number of directors that will comprise the Board of Directors of the Corporation and its subsidiaries;

(ii) To approve the election of directors of the Corporation and the directors of its subsidiaries;

(iii) To approve the removal of any of the directors of the Corporation and the directors of its subsidiaries;

(iv) To approve the election, re-election and removal of all officers, including the Chief Executive Officer, of the Corporation and its subsidiaries;

(v) To amend, revise or restate the Corporation's and its subsidiaries' Articles of Incorporation and Bylaws and approve all amendments or revisions to the Corporation's or its subsidiaries' Articles of Incorporation and Bylaws that may be proposed or approved by [Provider Subsidiary], the Member or Board of Directors of the Corporation;

(vi) Subject to Section [7.5(i)] of the Affiliation Agreement dated as of [____], 2011, among [Ultimate Parent Entity], [Provider Subsidiary], Highmark Inc., West Penn Allegheny Health System, Inc., Canonsburg General Hospital, Alle-Kiski Medical Center and the other WPAHS Subsidiaries as defined therein (the "Affiliation Agreement"). to adopt or change the mission, purpose, philosophy or objectives of the Corporation or its subsidiaries;

(vii) Subject to Sections [7.5(i) and 7.6] of the Affiliation Agreement, to change the general structure of the Corporation or any of its subsidiaries as a voluntary, nonprofit corporation;

(viii) Subject to Sections [7.5(i) and 7.6] of the Affiliation Agreement, to (a) dissolve, divide, convert or liquidate the Corporation or its subsidiaries, (b) consolidate or merge the Corporation or its subsidiaries with another corporation or entity, (c) sell or acquire assets, whether in a single transaction or series of transactions, where the consideration exceeds 1% of the Corporation's or the relevant subsidiary's total assets, and (d) approve any of the foregoing actions that may be proposed by [Provider Subsidiary], the Member or the Board of Directors of the Corporation before such action becomes effective;

(ix) To approve the annual consolidated capital and operating plan and budget of the Corporation and its subsidiaries, and any amendments thereto or significant variances therefrom;

(x) Subject to Section [7.6] of the Affiliation Agreement. to approve the incurrence of debt by the Corporation and its subsidiaries or the making of capital expenditures by the Corporation and the subsidiaries during any fiscal year of the Corporation, in either case in excess of one quarter of 1% of the consolidated annual operating budget of the Corporation and its subsidiaries for each fiscal year if such debt or capital expenditures are not included in the Corporation's or subsidiaries' approved budgets, whether in a single transaction or a series of related transactions;

(xi) To approve any donation or any other transfer of the Corporation's or its subsidiaries' assets, other than to the Member or to the Corporation by its subsidiaries, in excess of \$10,000.00, unless specifically authorized in the Corporation's or its subsidiaries' approved budgets;

(xii) To approve strategic plans and mission statements of the Corporation and its subsidiaries;

(xiii) To approve investment policies of the Corporation and its subsidiaries;

(xiv) To approve the closure or relocation of a licensed healthcare facility of the Corporation and its subsidiaries;

(xv) Subject to Sections [7.5(i) and 7.6] of the Affiliation Agreement, to approve the formation of subsidiary corporations, partnerships and joint ventures or to make investments in existing subsidiary corporations, partnerships and joint ventures, if the new investments of the Corporation and the subsidiaries in such subsidiary corporations, partnerships and joint ventures during any fiscal year would, in the aggregate, exceed 1% of the Corporation's consolidated total assets at the end of the prior fiscal year of the Corporation;

(xvi) Subject to Section (7.5(i) and 7.6] of the Affiliation Agreement, to approve the dissolution of subsidiary corporations, partnerships and joint ventures of the Corporation and the subsidiaries, if the aggregate value of the ownership interests of the Corporation and the subsidiaries in such subsidiary corporations, partnerships and joint ventures so dissolved in any fiscal year would exceed 1% of the Corporation's consolidated total assets at the end of the prior fiscal year of the Corporation;

(xvii) To establish and manage the Corporation's program for compliance with all legal requirements applicable to the Corporation [and the hospital operated by the Corporation (the "Corporation Hospitals")][*insert when applicable*], any applicable accreditation and licensing requirements and the conditions of participation in all governmental payor programs applicable to the Corporation [or the Corporation Hospitals][*insert when applicable*]; and

(xviii) To select and appoint auditors and to designate the fiscal year of the Corporation and the subsidiaries.

Except as may otherwise be provided by the Nonprofit Corporation Law, [Ultimate Parent Entity], have the right to both initiate and approve action in furtherance of such reserved powers, as well as the authority to directly bind the Corporation and the subsidiaries on such matters. Any action taken in this regard by [Ultimate Parent Entity] shall be sufficient to finally approve and adopt such actions and no action of the Board of Directors, Member, [Provider Subsidiary] or other governing body or officer with respect to such action shall be necessary with respect hereto.

Election and Removal of Directors

To the extent required, the Bylaws of each of the WPAHS Subsidiaries shall be amended to reflect that:

the election and removal of directors is subject to the approval of the [Ultimate Parent Entity] as prescribed by Section ____ of these Bylaws.

Election and Removal of Officers

To the extent required, the Bylaws of each of the WPAHS Subsidiaries shall be amended to reflect that:

the election and removal of officers is subject to the approval of the [Ultimate Parent Entity] as prescribed by Section ____ of these Bylaws.

Fiscal Year

The fiscal year of the Corporation shall end on such day as shall be fixed by the [Ultimate Parent Entity].

Amendments

These Bylaws may be altered, amended or repealed, or new Bylaws may be adopted only by the [Ultimate Parent Entity] as prescribed by Section ____ of these Bylaws.

EXHIBIT 2

EXHIBIT B

**FINAL
VERSION**

AMENDED AND RESTATED BYLAWS

OF

JEFFERSON REGIONAL MEDICAL CENTER

AMENDED AND RESTATED: _____, 201__

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I NAME; OFFICES AND PURPOSES.....	1
1.1 Name.....	1
1.2 Registered Office.....	1
1.3 Other Offices.....	1
1.4 Purposes.....	1
ARTICLE II SEAL.....	2
2.1 Seal.....	2
ARTICLE III MEMBERS.....	2
3.1 Membership.....	2
3.2 Meetings.....	2
3.3 Powers.....	3
ARTICLE IV BOARD OF DIRECTORS.....	5
4.1 Powers and Duties.....	5
4.2 Election of Directors.....	5
4.3 Competing Interests; Ex-Officio and Emeritus Directors.....	7
4.4 Number/Qualifications.....	8
4.5 Election and Term.....	9
4.6 Vacancies.....	9
4.7 Meetings.....	9
4.8 Resignation/Removal.....	10
4.9 Limitation of Liability.....	11
4.10 Compensation.....	11
4.11 Parliamentary Authority.....	11
ARTICLE V OFFICERS.....	11
5.1 Officers; Election.....	11
5.2 Responsibilities of Officers.....	12
5.3 Removal of Officers.....	13
5.4 Bonds.....	13
ARTICLE VI COMMITTEES.....	13
6.1 Committees.....	13
6.2 Standing and Special Committees.....	13
6.3 Executive Committee.....	14
6.4 Governance Committee.....	15

6.5	Joint Conference Committee.....	16
6.6	Finance Committee.....	17
6.7	Investment Committee.....	18
6.8	Human Resources Committee.....	19
6.9	Qualification and Tenure.....	19
6.10	Other Committees.....	20
6.11	Meetings.....	20
6.12	Notice.....	20
6.13	Quorum.....	20
6.14	Resignation and Removal.....	21
6.15	Compensation.....	21
6.16	Authority and Manner of Acting.....	21
6.17	Term; Vacancies.....	22
6.18	Committee Chairpersons.....	22
ARTICLE VII NOTICE AND CONDUCT OF MEETINGS.....		22
7.1	Written Notice.....	22
7.2	Written Waiver of Notice.....	22
7.3	Waiver of Notice by Attendance.....	22
7.4	Procedure.....	22
ARTICLE VIII MEDICAL STAFF.....		23
8.1	Appointment.....	23
8.2	Term.....	23
8.3	Delegation.....	23
8.4	Reservation.....	23
8.5	Ultimate Responsibility.....	24
8.6	Clinical Chiefs.....	24
8.7	Quality Assurance and Utilization Standards.....	24
8.8	Bylaws, Rules and Regulations.....	24
ARTICLE IX GENERAL PROVISIONS.....		25
9.1	Checks, Drafts, Etc.....	25
9.2	Annual Report.....	25
9.3	Annual Public Meeting.....	25
9.4	Annual Review.....	25
9.5	No Contract Rights.....	25

9.6	Fiscal Year	25
9.7	Auxiliary Organizations	26
ARTICLE X INVESTMENT OF CORPORATE FUNDS		26
10.1	General	26
10.2	Investment	26
ARTICLE XI LIMITED LIABILITY OF DIRECTORS		26
11.1	General	26
11.2	Effects	27
11.3	Presumption of Best Interests	27
11.4	No Personal Liability	27
11.5	Exceptions	27
ARTICLE XII INDEMNIFICATION AND INSURANCE		28
12.1	Right to Indemnification - General	28
12.2	Right to Indemnification - Third Party Actions	28
12.3	Right to Indemnification - Derivative Actions	28
12.4	Advance of Expenses	29
12.5	Procedure for Effecting Indemnification	29
12.6	Indemnification Not Exclusive	29
12.7	When Indemnification Not Made	30
12.8	Grounds for Indemnification	30
12.9	Power to Purchase Insurance	30
12.10	Creation of a Fund to Secure or Insure Indemnification	30
12.11	Status of Rights of Indemnities	30
12.12	Applicability to Predecessor Companies	30
ARTICLE XIII CONFLICTS OF INTEREST		31
13.1	Disclosure	31
13.2	Recusal and Investigation	31
13.3	Failure to Disclose	32
13.4	Record of Actions	32
13.5	Compensation	32
13.6	Annual Statements	32
ARTICLE XIV AMENDMENT		33

AMENDED AND RESTATED BYLAWS
OF
JEFFERSON REGIONAL MEDICAL CENTER

ARTICLE I

NAME; OFFICES AND PURPOSES

1.1 Name.

The name of the Corporation is Jefferson Regional Medical Center. The Corporation may do business under such other names as shall be determined by the Board of Directors.

1.2 Registered Office.

The registered office of the Corporation shall be located at 565 Coal Valley Road, P.O. Box 18119, Jefferson Hills, Pennsylvania 15025. The address of the registered office may be changed from time to time by the Board of Directors.

1.3 Other Offices.

The Corporation may also have offices at such other places as its Board of Directors may from time to time determine.

1.4 Purposes.

The Corporation is organized under the Pennsylvania Nonprofit Corporation Law of 1988, as amended (the "Nonprofit Corporation Law"), for scientific, educational and charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and in this connection is organized:

(a) To provide hospital and medical care, to conduct medical education, and research and to provide medical services, including but not limited to, operating the medical facility known as Jefferson Regional Medical Center;

(b) To operate as part of the nonprofit regional health care system governed by [name of Ultimate Parent Entity], a Pennsylvania nonprofit corporation ("Ultimate Parent"), and support a health care provider network comprised of the Corporation and those corporations and other entities over which the Corporation exercises governance control (the "subsidiaries");

(c) To carry out such other acts and to undertake such other activities as may be necessary, appropriate or desirable in furtherance of or in connection with the conduct, promotion or attainment of the foregoing purposes, provided, that none of such activities shall be undertaken which would cause the Corporation to lose its status as an organization described in Section 501(c)(3) of the Code, or as an organization contributions to which are deductible under Section 170(c)(2) of the Code; and

(d) To otherwise operate exclusively for charitable, scientific or educational purposes within the meaning of Section 501(c)(3) of the Code.

ARTICLE II

SEAL

2.1 Seal.

The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Nonprofit Corporation, Pennsylvania." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced, such impression, affixation, or the reproduction to be attested by the signature of the Secretary, Assistant Secretary, or Treasurer of the Corporation.

ARTICLE III

MEMBERS

3.1 Membership.

The Corporation shall have one (1) member, which shall be [name of Provider Subsidiary] (the "Member"). There shall be no other members or classes of membership. The Chief Executive Officer or the President of the Member shall be entitled to vote on behalf of the Member in accordance with the authority granted to the Chief Executive Officer or the President of the Member unless the Member notifies the Corporation in writing that another officer is authorized to vote on behalf of the Member.

3.2 Meetings.

(a) Annual Meeting. The annual meeting of the Member of the Corporation shall be held immediately following the annual meeting of the Board of Directors of the Member, or at such other time as the Member may determine, to transact such business as may come before the meeting.

(b) Special Meetings. Special meetings of the Member may be called by the Chairperson of the Board of Directors of the Corporation, one-third (1/3) of the members of the Board of Directors of the Corporation or by one-third (1/3) of the members of the Board of Directors of the Member.

(c) Notice of Meetings. Notice of any meeting of the Member shall be given by, or at the direction of, the Secretary of the Corporation at least ten (10) days prior to the day named for a meeting that will consider a fundamental change under Chapter 59 of the Nonprofit Corporation Law or five (5) days prior to the day named for the meeting in any other case.

(d) Written Consent. Any action which may be taken at a meeting of the Member may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by the Member and filed with the Secretary.

3.3 Powers.

(a) Reserved Powers of Member. The Member shall have the right and power to make recommendations to Ultimate Parent with respect to actions by Ultimate Parent on the matters reserved to Ultimate Parent under Section 3.3(b) of these Bylaws. Ultimate Parent shall have no obligation to approve any such recommendations, and Ultimate Parent may take actions that have not been recommended by, or that are contrary to recommendations of, the Member.

(b) Reserved Powers of Ultimate Parent. The following rights and powers are reserved to Ultimate Parent:

(i) Subject to Sections 4.2(b) and 4.4 of these Bylaws, to determine the number of directors that will comprise the Board of Directors of the Corporation;

(ii) Subject to Sections 4.2(b), 4.4 and 4.6 of these Bylaws, to elect the directors of the Corporation;

(iii) Subject to Sections 4.2(b) of these Bylaws, to remove any of the directors of the Corporation and to replace any such director for the unexpired portion of his or her term;

(iv) To approve the election, re-election and removal of all officers, including the President/CEO, of the Corporation and the subsidiaries in accordance with Article V;

(v) To amend, revise or restate the Corporation's and the subsidiaries' Articles of Incorporation and Bylaws; provided however, that Ultimate Parent shall have no power to amend, revise or restate Section 4.2(a) or this proviso of Section 3.3(b)(v) of these Bylaws, each of which may be amended only upon the concurrent approval of both (a) the UPE JRMC Board Members (as defined herein), voting as a class, and (b) the Jefferson JRMC Board Members (as defined herein), voting as a class;

(vi) To adopt or change the mission, purpose, philosophy or objectives of the Corporation or the subsidiaries;

(vii) To change the general structure of the Corporation or any of the subsidiaries as a voluntary, nonprofit corporation;

(viii) To (1) dissolve, divide, convert or liquidate the Corporation or the subsidiaries, (2) consolidate or merge the Corporation or the subsidiaries with another corporation or entity, (3) sell or acquire assets, whether in a single transaction or series of transactions, where the consideration exceeds one percent (1%) of the Corporation's consolidated total assets;

(ix) To approve the annual consolidated capital and operating plan and budget of the Corporation and the subsidiaries, and any amendments thereto or significant variances therefrom;

(x) To approve the incurrence of debt by the Corporation and the subsidiaries or the making of capital expenditures by the Corporation and the subsidiaries during any fiscal year of the Corporation, in either case in excess of one-quarter (1/4) of one percent (1%) of the consolidated annual operating budget of the Corporation for such fiscal year, if such debt or capital expenditures are not included in the Corporation's or subsidiaries' approved budgets, whether in a single transaction or a series of related transactions;

(xi) To approve any donation or any other transfer of the Corporation's or the subsidiaries' assets, other than to the Member or to the Corporation by the subsidiaries, in excess of \$10,000.00, unless specifically authorized in the Corporation's or the subsidiaries' approved budgets;

(xii) To approve strategic plans and mission statements of the Corporation and the subsidiaries;

(xiii) To approve investment policies of the Corporation and the subsidiaries;

(xiv) To approve the closure or relocation of a licensed healthcare facility of the Corporation and the subsidiaries;

(xv) To approve the formation of subsidiary corporations, partnerships and joint ventures or to make investments in existing subsidiary corporations, partnerships and joint ventures, if the new investments of the Corporation and the subsidiaries in such subsidiary corporations, partnerships and joint ventures during any fiscal year would, in the aggregate, exceed one percent (1%) of the Corporation's consolidated total assets at the end of the prior fiscal year of the Corporation;

(xvi) To approve the dissolution of subsidiary corporations, partnerships and joint ventures of the Corporation and the subsidiaries, if the aggregate value of the ownership interests of the Corporation and the subsidiaries in such subsidiary corporations, partnerships and joint ventures so dissolved in any fiscal year would exceed one percent (1%) of the Corporation's consolidated total assets at the end of the prior fiscal year;

(xvii) To establish and manage the Corporation's program for compliance with all legal requirements applicable to the Corporation and the hospital operated by the Corporation (the "Corporation Hospital"), all accreditation and licensing requirements and the conditions of participation in all governmental payor programs applicable to the Corporation or the Corporation Hospital;

(xviii) To select and appoint auditors and to designate the fiscal year of the Corporation and the subsidiaries; and

(xix) To give such other approvals and take such other actions as are specifically reserved to members of Pennsylvania nonprofit corporations under the Nonprofit Corporation Law.

Except as may otherwise be provided by the Nonprofit Corporation Law, Ultimate Parent shall have the right to both initiate and approve action in furtherance of such reserved powers, as well as the authority to directly bind the Corporation and the subsidiaries on such matters. Any action taken in this regard by Ultimate Parent shall be sufficient to finally approve and adopt such actions and no action of the Board of Directors or other governing body or officer with respect to such action shall be necessary with respect thereto.

ARTICLE IV BOARD OF DIRECTORS

4.1 Powers and Duties.

Subject to Section 3.3 of these Bylaws, all powers of the Corporation shall be vested in the Board of Directors, which shall have charge, control and management of the property, business, affairs and funds of the Corporation and shall have the power and authority to perform all necessary and appropriate functions not otherwise inconsistent with these Bylaws, the Articles of Incorporation or applicable law.

Subject to Section 3.3 of these Bylaws, and without limiting the generality of the foregoing and except as otherwise may be provided in these Bylaws, the Board of Directors shall have full power and the duty:

(a) To set policies and provide for carrying out the purposes of the Corporation;

(b) To make rules and regulations for its own governance and for the governance of the committees appointed by the Board of Directors as provided herein;

(c) To adopt and amend from time to time such rules and regulations for the conduct of the business of the Corporation as may be appropriate or desirable;

(d) To manage the Medical Staff as contemplated in Article VIII hereof;

(e) To adopt, amend, repeal and restate the Medical Staff Bylaws, as proposed by the Medical Staff pursuant to these Bylaws;

(f) To maintain the quality of patient care; and

(g) To periodically reexamine the relationship of the Board of Directors to the communities of the Corporation Hospital.

4.2 Election of Directors.

(a) General. Subject to the limitations set forth in Section 4.2 of these Bylaws, Ultimate Parent shall elect all directors.

(b) Composition and Voting. The Board of Directors shall be constituted and vote as follows: (i) Ultimate Parent will elect five (5) individuals (the "UPE JRMC Board

Members”) to serve on the Board, each of which will be entitled to cast ten (10) votes on each matter considered by the Board, and (ii) the other eighteen (18) individuals serving on the Board will (the “Jefferson JRMC Board Members”) will each will be entitled to cast one (1) vote on each matter considered by the Board. At least two (2) of the Jefferson JRMC Board Members shall be physicians on the Corporation’s Medical Staff and at least one (1) of the Jefferson JRMC Board Members shall be a Sister of the Community of Sisters of St. Joseph. The size of the Board will be reduced over time contemporaneous with the expiration of each term of service of the eighteen (18) Jefferson JRMC Board Members, until there are only six (6) Jefferson JRMC Board Members remaining. Notwithstanding the prior sentence, and only with regard to the eighteen (18) post-Closing Jefferson JRMC Board Members, if any such Board member’s term expires on June 30, 2013 and such Board member would otherwise be eligible to be re-elected (i.e., would not be ineligible due to term limits), then such Board member may serve an additional three (3) year term on the Board and the size of the Board will not be reduced on account of such Board member until his or her additional three (3) year term expires. At such time as there are only six (6) remaining Jefferson JRMC Board Members, such six (6) individuals will comprise a self-perpetuating class of directors that will by majority vote elect their respective successors on the Board, provided however, that one (1) of such individuals shall be a Sister of the Community of St. Joseph, and two (2) of such individuals shall be the President and Vice President, respectively, of the Corporation’s Medical Staff who shall serve as ex-officio directors by reason of their service in such offices, and their resignation or removal from such offices shall automatically terminate their membership on the Board of Directors. As the number of Jefferson JRMC Board Members is reduced, the number of votes exercised by each UPE JRMC Board Member shall be proportionally reduced such that at all times the appropriate number of aggregate Board votes authorized to be cast by the UPE JRMC Board Members is as close as possible to seventy-five (75%) percent (but never eighty percent (80%) or more) of the total authorized Board votes.

The following actions of the JRMC Board of Directors shall require the approval of a majority of the Jefferson JRMC Board Members: (1) election and removal of Jefferson JRMC Board Members; (2) any decision that would terminate any currently performed clinical services provided by the Corporation’s prior to [_____, 201__]; and (3) any amendment that diminishes the rights of the Jefferson JRMC Board Members as described in the Articles of Incorporation and Bylaws of the Corporation.

Notwithstanding the reserved powers of Ultimate Parent and Provider Subsidiary set forth in Section 3.3 of these Bylaws, a unanimous approval of all of the directors of the Corporation present at a duly called and noticed meeting shall be required before corporate action may be taken relative to the following: (i) eliminating the requirement that at least one of the Jefferson JRMC Board Members be a Sister of the Community of Sisters of St. Joseph; (ii) eliminating the requirement that the Corporation, either directly or through a subsidiary, always maintain primary care and other desirable services in the Homestead, Pennsylvania community; and (iii) amending those specific provisions of the Corporation’s Articles of Incorporation set forth in Articles 8, 10, and 11 thereof as filed with the Pennsylvania Department of State on June 28, 2002 (except that the reference in said Article 8 to “member” shall be amended to read “director” and the description of services set forth in Article 11 shall be amended to be consistent with subsection (ii) above).

4.3 Competing Interests; Ex-Officio and Emeritus Directors.

(a) Directors shall serve either as ex officio Directors or as elected Directors. However, no person shall be eligible to serve as either an ex officio Director or an elected Director (or to continue to so serve) if he or she has or acquires a "Competing Interest," as defined below.

- (i) "Competing Interest" shall be defined as including any of the following situations:

A person (or his or her immediate family member) who, directly or indirectly, owns or holds an investment or ownership interest (other than an ownership or investment interest in less than five percent (5%) of the common stock of a publicly-traded company) in an entity identified or determined by the Corporation from time to time as a competitor;

A person (or his or her immediate family member) who holds a leadership position in an entity identified or determined by the Corporation from time to time as a competitor. Leadership position shall include, without limitation, service on the board, a board committee or a planning committee of or holding a management contract with such a competitor; or

A person who is employed by or has a compensation arrangement with a competing entity. "Immediate family member" means spouse, siblings, parents, children, stepchildren, grandchildren and their spouses.

Examples of entities deemed by the Corporation to be competing entities include, without limitation: general hospitals; specialty hospitals; freestanding surgery centers; specialty diagnostic centers; specialty treatment centers; specialty therapy centers or other entities operating or which should be operating in whole or in part under a healthcare facility license, but do not include physician offices with equipment customarily and routinely used or contained in a physician office (e.g., EKG machine used by a cardiologist).

- (ii) It shall be the responsibility of prospective Directors and current Directors to promptly disclose the existence of all ownership or investment interests, leadership positions and employment or compensation arrangements, regardless of whether they fall within the above definitions. If such interest is in an entity that the Corporation has previously determined to be a competing entity, the prospective Director or current Director shall be automatically ineligible to serve or continue serving as a Director and shall be

deemed to have automatically resigned his or her position or interest in a position on the Board and its committees.

- (iii) If it is necessary for the Board to determine whether the entity in question is a competing entity, the Board, by majority vote of those present (excluding the interested person) shall decide whether a competing interest exists. If a competing interest exists, the interested person shall no longer be eligible for consideration as a prospective Director or, if already serving as a Director, shall not continue to serve, and shall be deemed to have automatically resigned his or her interest in a position on the Board and its committees.

(b) The President/CEO of the Corporation shall serve as an ex-officio member of the Board of Directors with full voting privileges and shall be counted for purposes of a quorum and otherwise in any way for purposes of authorizing any act or transaction of business by the Board of Directors. Such ex officio Director shall serve by reason of his or her service in such office, and the resignation or removal of such person from his or her office shall automatically terminate such person's membership on the Board of Directors.

(c) Any Director who has served for three (3) consecutive one year terms, who has served as Chairperson, and who has shown exceptional leadership and service may be elected by the Board of Directors to serve as an Emeritus Director. Such Emeritus Director shall serve as a non-voting Director, shall be entitled to receive notice of all meetings, to serve on committees of the Board as a non-voting member, and to participate in all meetings of the Board of Directors.

4.4 Number/Qualifications.

(a) Composition. Subject to Section 4.2(b) of these Bylaws, the Board of Directors shall consist of such number of persons as the Ultimate Parent may determine, but in no case shall such number be less than three (3).

(b) Certain Qualifications. No individual may be elected to the Board of Directors unless the individual is eligible to serve on the Board of Directors pursuant to applicable law, the Articles of Incorporation and these Bylaws. Each director shall be a natural person of at least 18 years of age.

(c) Independence. At least a majority of the directors shall be persons whom the Board of Directors has determined are "independent directors" within the meaning of such term as defined by the Internal Revenue Service for exempt organizations under Section 501(c)(3) of the Code, and as such, are broadly representative of the community. No director, other than the Ex-Officio Director, shall be an officer or employee of the Corporation or any entity controlled by the Corporation.

(d) Common Directors With Member and Ultimate Parent. The members of the Board of Directors must include at least one person who is also serving as a member of the

board of directors of Member and Ultimate Parent. The same member of the Board of Directors need not be serving on both such boards.

(e) SEC Actions. Any person who is, or ever has been, subject to an order of a court or the Securities and Exchange Commission prohibiting such person from acting as an officer or director of a public company shall not be eligible to serve as a director.

(f) Age Limitations. No person who is seventy-five (75) years of age or older may be nominated or re-nominated for election or re-election as a director. Any director who reaches the age of seventy-five (75) shall no longer be qualified to serve as a director after the next annual meeting of the Board of Directors.

4.5 Election and Term.

(a) Term of Directors. The Board of Directors shall be divided, as evenly as practicable, into three classes and shall serve staggered terms. Except as otherwise indicated in this Section 4.5(a), at the end of their respective initial terms, all directors shall serve for terms of three (3) years or until their successors are elected and have qualified.

(b) Chairperson. The Board of Directors shall elect from among the directors an individual to serve as Chairperson of the Board. The Chairperson shall not be an employee of the Corporation. The Chairperson shall preside at all meetings of the Board of Directors and shall perform all duties incident to the office of Chairperson of the Board and such other duties as may be prescribed by the Board of Directors.

(c) Vice Chairperson. The Board of Directors may elect from among the directors a Vice Chairperson of the Board. The Vice Chairperson shall not be an employee of the Corporation. The Vice Chairperson shall perform the duties of the office of Chairperson of the Board in the absence of the Chairperson of the Board and such other duties as may be prescribed by the Board of Directors.

4.6 Vacancies.

Any vacancy in the Board of Directors caused by the death, resignation or removal of a director or a director ceasing to qualify to serve as a director prior to the expiration of that director's term between annual meetings of Ultimate Parent shall be filled by an individual elected by Ultimate Parent, except as otherwise provided in Section 4.2(b) of these Bylaws with respect to the Jefferson JRMC Board Members.

4.7 Meetings.

(a) Annual Meetings. The annual organizational meeting of the Board of Directors shall be held on such other date as the Board of Directors may determine, at such time and place as shall be determined by the Board of Directors, without further notice than the resolution setting such date, time and place.

(b) Regular Meetings. Regular meetings of the Board of Directors shall be held not less than four (4) times a year, each at such date, time and place as shall be determined

by the Board of Directors, without further notice than the resolution setting such date, time and place.

(c) Special Meetings. Special meetings of the Board of Directors may be called at any time by the Chairperson of the Board, the President/CEO or one-third (1/3) of the members of the Board of Directors, the date, time and place of each such meeting to be designated in the notice calling the meeting. Notice of any special meeting of the Board of Directors shall be given at least forty-eight (48) hours prior thereto and shall state the general nature of the business to be transacted.

(d) Adjournment. When a meeting of the Board of Directors is adjourned, it shall not be necessary to give any notice of the adjourned meeting or the business to be transacted at the adjourned meeting other than by announcement at the meeting at which such adjournment is taken.

(e) Quorum. Directors constituting a majority of the directors in office shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

(f) Voting and Action. Each director shall be entitled to one vote on any matter submitted to a vote of the Board of Directors, and action by the Board of Directors on any matter shall require the affirmative vote of a majority of the directors in office unless a greater proportion of affirmative votes is required by applicable law, the Articles of Incorporation or these Bylaws.

(g) Use of Conference Telephone. Except as the Board of Directors otherwise may determine, one or more persons may participate in a meeting of the Board of Directors or of any committee thereof by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear and be heard by each other. Participation in a meeting in such manner shall constitute presence in person at the meeting.

(h) Action by Unanimous Written Consent. Any action which may be taken at a meeting of the Board of Directors may be taken without a meeting if a consent or consents in writing setting forth the action so taken shall be signed by all of the directors in office and filed with the Secretary.

4.8 Resignation/Removal.

(a) Resignation. Any director may resign his or her office at any time, such resignation to be made in writing and to take effect immediately or at such subsequent time stated in such writing. Any director who ceases to meet the eligibility requirements contained in applicable law or in these Bylaws to serve as a director forthwith shall resign his or her office, such resignation to be made in writing and to take effect immediately.

(b) Removal. Directors may be removed only as follows: (i) if a UPE JRMC Board Member, only by the Ultimate Parent in accord with Section 3.3(b)(iii) of these Bylaws and (ii) if a Jefferson JRMC Board Member, only by the Jefferson JRMC Board Members in accord with Section 4.2(b) of these Bylaws.

4.9 Limitation of Liability.

(a) Limitation of Liability. To the fullest extent that the laws of the Commonwealth of Pennsylvania, as now in effect or as hereafter amended, permit elimination or limitation of the liability of directors, no director of the Corporation shall be personally liable for monetary damages as such for any action taken, or any failure to take any action, as a director.

(b) Nature and Extent of Rights. The provisions of this Section 4.9 shall be deemed to be a contract with each director of the Corporation who serves as such at any time while this Section is in effect and each such director shall be deemed to be so serving in reliance on the provisions of this Section. Any amendment or repeal of this Section or adoption of any Bylaw or provision of the Articles of the Corporation which has the effect of increasing director liability shall operate prospectively only and shall not affect any action taken, or any failure to act, prior to the adoption of such amendment, repeal, Bylaw or provision.

4.10 Compensation.

The Board of Directors may determine the compensation of directors for their services as directors, members of committees of the Board of Directors or otherwise, and also may determine the compensation of persons who are not directors who serve on any committees established by the Board of Directors; provided, that such compensation is reasonable compensation within the meaning of Section 4958 of the Code.

4.11 Parliamentary Authority.

The Board of Directors may adopt its own rules governing its conduct and procedures at meetings which are not inconsistent with the Articles of Incorporation and these Bylaws, and such rules may be amended by the Board of Directors at any meeting.

ARTICLE V

OFFICERS

5.1 Officers; Election.

The principal officers of the Corporation shall be a President/CEO, a Chief Financial Officer, a Treasurer and a Secretary, each of whom shall be elected by the Board of Directors, subject to the approval of Ultimate Parent, and such other officers as the Board of Directors, subject to the approval of Ultimate Parent, may elect, which may include one or more Executive, Senior or Corporate Vice Presidents, and one or more Assistant Treasurers or Assistant Secretaries. Each such officer shall hold office for a term of one year (or such other term as the Board of Directors shall determine for any office from time to time) and until his or her successor has been selected and qualified or until his or her earlier death, resignation or removal. Any number of offices may be held by the same person.

5.2 Responsibilities of Officers.

(a) President/CEO. The President/CEO shall be responsible for the general and active management of the business and affairs of the Corporation and shall exercise general supervision and authority over all of its agents and employees and shall perform all duties incident to the office of President/CEO and such other duties as may be assigned by the Member or the Board of Directors. The President/CEO shall supervise the implementation of all policies, orders and resolutions of the Board of Directors and shall execute all contracts and agreements authorized by the Board of Directors, except that he or she may delegate to other officers of the Corporation the power to execute contracts in the ordinary course of business or as otherwise may be authorized by the Board of Directors.

(b) Chief Financial Officer. The Chief Financial Officer shall be responsible for financial accounting and reporting for the Corporation and such other duties as may be assigned by the President/CEO or the Board of Directors.

(c) Vice Presidents. Each Vice President shall perform such duties as may be assigned by the President/CEO or the Board of Directors.

(d) Treasurer. The Treasurer shall, in accordance with the policies of the Board of Directors and under the direction of the President/CEO Officer or the Chief Financial Officer, have general charge and custody of and be responsible for all funds and securities of the Corporation, and shall make such reports in such form and manner as the President/CEO, the Chief Financial Officer or the Board of Directors may direct. The Treasurer shall receive and give receipts for monies due and payable to the Corporation and deposit such monies in the name of the Corporation in such banks, trust companies or other depositories as may be selected in accordance with the provisions of these Bylaws. The Treasurer shall keep account of such receipts and deposits and approve expenditures of the Corporation and shall perform all duties incident to the office of Treasurer and such other duties as may be assigned by the President/CEO, the Chief Financial Officer or the Board of Directors.

(e) Secretary. The Secretary shall keep the minutes of the meetings of the Board of Directors and its committees in one or more books provided for that purpose, shall notify members of the Board of Directors of their election, shall see that all notices are duly given in accordance with the provisions of these Bylaws, shall be custodian of the corporate records and of the seal of the Corporation, and shall see that the seal of the Corporation is affixed, when necessary, to all instruments and documents the execution of which has been authorized by the Board of Directors or a committee thereof, shall keep a record of the address of each director, and shall perform all duties incident to the office of Secretary and such other duties as may be assigned by the President/CEO or the Board of Directors. In the absence of the Secretary or in the event of his or her inability to act, the Chairperson of the Board of Directors shall appoint an individual to discharge the duties of the Secretary.

(f) Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries and Assistant Treasurers shall perform such duties as may be assigned by the Secretary or the Treasurer, respectively, or by the President/CEO or the Chief Financial Officer, as appropriate, or the Board of Directors.

5.3 Removal of Officers.

Any officer of the Corporation (including the President/CEO) may be removed, with or without cause, by the Board of Directors, subject to the approval of Ultimate Parent, without prejudice to such officer's contractual rights, if any.

5.4 Bonds.

The Board of Directors may require any officer to give bond and security in such sum and with such surety or sureties as the Board of Directors may determine.

**ARTICLE VI
COMMITTEES**

6.1 Committees.

(a) The Board of Directors may, by resolution, designate one or more committees of Directors, each of which shall consist of not less than three (3) Directors, which committees shall have and exercise the authority of the Board of Directors to the extent provided in such resolution. All members of the Executive Committee and the Chair of each Board committee shall be voting members of the Board of Directors. The other members of the Board committees need not be Directors of the Corporation unless otherwise provided by these Bylaws, or required by the Board of Directors or the Chair. The Chair shall appoint (i) a chair for each committee and (ii) the members of each committee, other than ex-officio members, if any.

(b) The designation of such committees and the delegation thereto of such authority shall not operate to relieve the Board of Directors or any individual Director of any responsibility imposed by law.

(c) Each committee shall serve at the pleasure of the Board of Directors and shall be subject to the control and direction of the Board of Directors.

6.2 Standing and Special Committees.

Committees shall either be standing or special. A special committee shall limit its activities to the accomplishments of the tasks for which it is appointed and shall have no power to act except as specially conferred by action of the Board. Upon completion of the task for which appointed, special committees shall stand discharged. Each standing Board committee shall have such power and authority as provided for herein, except as such authority is limited by statute, by resolution creating or controlling the committee or by any limitation imposed by the Board on such authority and power. Standing Committees shall be as follows:

1. Executive Committee
2. Governance Committee
3. Joint Conference Committee
4. Finance Committee
5. Investment Committee

6. Human Resources Committee

The President/CEO shall be an ex-officio voting member of all standing, special and other committees.

Each Board committee shall have an agenda and shall submit minutes of its meetings to the Assistant Secretary. Each Board committee shall be permitted to set up subcommittees that will report to the committee.

6.3 Executive Committee.

(a) Composition. The Executive Committee shall consist of the:

(i) The Chair, who shall serve as the chair of the Executive Committee;

(ii) Both Vice Chairs of the Board of Directors, one of whom, as designated by the Chair, or by the Executive Committee in the event of the Chair's incapacity, shall serve as chair of the Executive Committee in the absence of the Chair;

(iii) Chair of the Governance Committee;

(iv) Chair of the Joint Conference Committee;

(v) Chair of the Finance Committee;

(vi) Chair of the Investment Committee;

(vii) Chair of the Human Resources Committee; and

(viii) President/CEO of the Corporation.

If one person is serving in two or more of the foregoing positions, the chair of the Executive Committee shall have the option of appointing additional at-large directors to make up the difference in the number of persons actually serving on the Executive Committee.

(b) Powers and Functions. The Executive Committee shall have the power and responsibility to:

(i) subject to those rights of approval vested in the Board of Directors, the Executive Committee shall have the power to transact all regular business of the Board of Directors during the interim between the meetings of the Board of Directors, provided, however, that it is expected that the Executive Committee shall act only when it is not practical to call meetings of the full Board. The Executive Committee shall report to the full Board at the next Board meeting with respect to any action taken by the Executive Committee;

(ii) at least annually evaluate the performance and set the salaries, benefits and other compensation of the President/CEO, Chief Financial Officer and Executive or Senior Vice Presidents, if any, of the Corporation;

(iii) have such powers as may be provided in the employee benefit plans for employees;

(iv) cause to be prepared and to submit to the Board of Directors at each meeting a report of its action between meetings of the Board;

(v) delegate such functions as necessary to other committees of the Board of Directors; and

(vi) perform such other duties as required by the Board of Directors from time to time.

(c) Meetings. The Executive Committee shall conduct at least one meeting each fiscal quarter.

6.4 Governance Committee.

(a) Composition. The Governance Committee shall consist of at least three (3) and no more than eight (8) members of the Board of Directors and shall include the Chair and President/CEO of the Corporation.

(b) Powers and Functions. The Governance Committee shall have the power and responsibility to:

(1) nominate candidates for election as officers of the Corporation;

(2) nominate candidates for election as directors and officers of subsidiaries;

(3) monitor and evaluate the performance of the Board of Directors of the Corporation, including appropriate and adequate orientation and ongoing education;

(4) review at least annually and recommend any bylaw revisions deemed appropriate for the Corporation, and as deemed necessary, any affiliated organizations' bylaws; and

(5) perform such other duties as required by the Board of Directors from time to time.

(c) Meetings. The Governance Committee shall meet as often as may be necessary to discharge its responsibilities under these Bylaws.

(d) Nomination Duties. Pursuant to its nominating duties as set forth above, at least ten (10) days prior to the annual meeting of the Board, the Governance Committee shall nominate one person for each director or officer position referenced in Section 6.4(b) (1)-(2), the term of which is due to expire in such year.

6.5 Joint Conference Committee.

(a) Composition. The Joint Conference Committee shall consist of (i) at least five (5) and no more than ten (10) members of the Board of Directors which may include former members of the Board of Directors, (ii) the President/CEO of the Corporation, (iii) the Vice President of Medical Affairs, (iv) at least five (5) and no more than ten (10) members of the Executive Committee of the Medical Staff, and (v) the President of the Medical Staff.

(b) Powers and Functions. The Joint Conference Committee shall have the power and responsibility to:

- (1) receive recommendations from the Medical Staff through the President/CEO of the Corporation and within the scope of the policies and procedures of the Corporation related to credentialing, make appointments or reappointments to the Medical Staff of the Corporation and grant clinical privileges to members of the Medical Staff consistent with such member's currently demonstrated clinical competency, in each case subject to ratification by the Board of Directors or Executive Committee;
- (2) make recommendations to the Board of Directors or Executive Committee regarding assignments of responsibility within the Medical Staff, including the definition and scope of clinical privileges, reductions, extensions, suspensions, and termination of clinical privileges, or any other change in status;
- (3) receive recommendations from the Medical Staff and recommend to the Board of Directors members of the Medical Staff to be designated as department chairpersons and medical directors of the various departments of the hospital;
- (4) recommend to the Board of Directors the adoption and amendments to, or repeal of, the Medical Staff organizational documents, including, but not limited to, Medical Staff Bylaws, Rules and Regulations governing the Medical Staff;
- (5) receive and make recommendations to the Board of Directors regarding any communications, requests, or recommendations as presented by the Medical Staff to the Committee or the President/CEO;

- (6) constitute a liaison group that shall discuss medical and administrative matters among the Board of Directors, the President/CEO, and the Medical Staff;
- (7) review and evaluate, from time to time, the standards for the quality of patient care rendered by the Corporation, determine compliance with the standards by reviewing key performance indicators, sentinel event reports, etc. and make appropriate recommendations to the Board of Directors. The Joint Conference Committee shall also review all publicly reported clinical quality and patient safety data;
- (8) review resource utilization reports and physician performance on a periodic basis. Physician performance shall include reviewing FPPE/OPPE and peer review reports;
- (9) receive reports and make recommendations to the Board of Directors regarding patient safety issues;
- (10) maintain an awareness of requirements of accrediting and regulatory agencies and receive reports of such agencies, which shall include receiving reports from management regarding recent surveys;
- (11) receive and consider all reports on the work of the Medical Staff and make such recommendations to the Board of Directors with respect thereto as the Joint Conference Committee considers to be in the best interests of the Corporation and its patients;
- (12) review clinical matters including the status of the hospital's case mix, clinical documentation program and range of services; and
- (13) perform such other duties as required by the Board of Directors.

(c) Meetings. The Joint Conference Committee shall meet at least quarterly and as necessary in accordance with JCAHO standards.

6.6 Finance Committee.

(a) Composition. The Finance Committee shall consist of at least three (3) and no more than nine (9) members as the Chair may determine, at least one (1) member of which shall have financial expertise, and a majority of which shall be members of the Board of Directors. The President/CEO of the Corporation shall be a member of the Finance Committee and the Treasurer of the Corporation shall serve as staff to the Chair.

(b) Powers and Functions. The Finance Committee shall have the power and responsibility to:

- (1) accept the annual independent audit report of the Corporation's financial statements, as prepared by the external auditors, and render an annual report to the Board of Directors at its annual meeting; and
- (2) perform such other duties as required by the Board from time to time.

(c) Meetings. The Finance Committee shall meet as often as may be necessary to discharge its responsibilities under these Bylaws.

6.7 Investment Committee.

(a) Composition. The Investment Committee shall consist of at least three (3) and no more than seven (7) members as the Chair may determine, a majority of which shall be members of the Board of Directors, and shall include the President/CEO of the Corporation.

(b) Powers and Functions. The Investment Committee shall have the power and responsibility to:

- (1) determine and periodically review investment strategy for certain assets of the Corporation and its affiliated organizations, including those of the employee retirement plan(s);
- (2) recommend to the Board investment consultants and authorized agents to invest funds;
- (3) recommend guidelines to the Board for investment of funds which shall include investment strategy, risk level, asset mix, and desired performance;
- (4) review, at least quarterly, the investment of funds and their performance and determine whether the agent's portfolio conforms to guidelines approved by the Board;
- (5) review and make recommendations to the Board with respect to other investments and activities as directed by the Board; and
- (6) perform such other duties as required by the Board from time to time.

(c) Meetings. The Investment Committee shall meet as often as may be necessary to discharge its responsibilities under these Bylaws. The Investment Committee shall report to the Board at least once a year with respect to the investments of the Corporation and its affiliated organizations.

6.8 Human Resources Committee.

(a) Composition. The Human Resources Committee shall consist of not fewer than three (3) and no more than nine (9) members as the Chair may determine, a majority of which shall be members of the Board of Directors, and shall include the President/CEO of the Corporation.

(b) Powers and Functions. The Human Resources Committee shall have the power and responsibility to:

- (1) annually review and approve the operational imperatives related to human resources;
- (2) review and approve any significant change in human resource policies or programs, including employee benefits;
- (3) serve as required by external accrediting bodies in the oversight of human resource programs;
- (4) serve as required in the oversight of employee benefit plans, including Retirement Plans in conjunction with the Finance Committee;
- (5) review any significant regulatory or operational issue involving human resources (labor, wage and hour, equal employment); and
- (6) perform such other duties as required by the Board from time to time.

(c) Meetings. The Human Resources Committee shall meet as often as may be necessary to discharge its responsibilities under these Bylaws.

6.9 Qualification and Tenure.

The designation of one or more Board committees and the delegation thereto by resolution of authority shall not operate to relieve the Board, or any individual member of the Board, of any responsibility imposed by law upon it or such member. Each member of a Board committee shall serve until the next annual meeting following his or her appointment or until such member's successor is appointed by the Chair, unless such member shall earlier resign or be removed or unless the committee shall earlier be terminated.

Non-Board members appointed to Board Committees shall be previous Board members and the appointment will have a three (3) year limitation effective July 1, 2008. The non-Board member shall adhere to the meeting attendance requirements, and will be required to execute a conflict of interest statement and confidentiality statement, as well as participate in an orientation program. All individuals being considered for appointment to a Board Committee will be

recommended to the Governance Committee for nomination. The Governance Committee shall follow its normal procedures concerning recommendations to the Board for Board nominations.

6.10 Other Committees.

The Chair may, by resolution, designate one or more other committees, each of which shall consist of not fewer than three (3) members appointed by the Chair, at least one of whom shall be a member of the Board, which committees shall have and exercise the authority of the Board of Directors to the extent provided in such resolution. The Board of Directors shall include one (1) or more medical staff members on any committee formed to deliberate issues affecting the discharge of medical staff responsibilities. If the Board determines that any one (1) or more of the Board committees, including standing committees, should not exist, the Board shall assign the functions of such Board committee to a new or existing Board committee or to the Board as a whole.

6.11 Meetings.

Meetings of a Board committee may be called by, or at the direction of, the Chair, the President/CEO, the chair of the committee or a majority of the members of the committee then in office, to be held at such time and place as shall be designated in the notice of the meeting. At its first meeting of the year, each Board committee shall adopt a tentative schedule of meetings to be held during the year.

6.12 Notice.

Written notice of the time and place of any meeting of a committee shall be given to each member of the committee by the person(s) calling the meeting at least ten (10) days prior to such meeting. Any member of a committee may waive notice of any meeting. The attendance of a member of a committee at any meeting shall constitute a waiver of notice of such meeting, except where a member of a committee attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business on the ground that the meeting was not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of a committee need be specified in the notice or waiver of notice of such meeting unless required by statute.

6.13 Quorum.

A majority of the members of a committee, excluding the Chair and the President/CEO, but not less than two (2) members thereof, shall constitute a quorum for the transaction of business at any meeting of the committee. The Chair and/or the President/CEO, if in attendance, shall count in the numerator (members of a committee in attendance), but not in the denominator (total number of members of a committee) when calculating a quorum. If less than a majority of the members are present at such meeting, the members there present may adjourn the meeting from time to time until a quorum shall be present. It shall not be necessary to give any notice of the adjourned meeting other than by announcement at the meeting at which such adjournment is taken.

6.14 Resignation and Removal.

Any member of a committee may resign therefrom at any time by giving written notice to the Chair, the President/CEO or Assistant Secretary of the Board of Directors and, unless otherwise specified in the notice of resignation, the acceptance of such resignation shall not be necessary to make it effective. Any member of a committee may be removed from membership on a committee at any time by the Chair in his or her sole discretion or by the Board in its sole discretion without assigning any cause pursuant to a resolution adopted by a majority of the members of the Board. Any Board member of a Board committee shall be automatically removed from the committee upon ceasing to be a member of the Board or, if serving ex-officio, upon ceasing to hold the office pursuant to which he or she serves, unless the Board shall otherwise direct.

6.15 Compensation.

The members of a committee shall not be entitled to receive compensation from the Corporation for their services. They may, however, be reimbursed by the Corporation for out-of-pocket expenses, if any, incurred in connection with attendance at meetings of the committee and for business activities reimbursable under the Corporation's policy regarding Reimbursement of Business Related Expenses for Members of the Board of Directors. Nothing herein contained shall be construed to preclude any member of a committee from serving the Corporation as an officer, or in any other capacity, and receiving compensation therefor, so long as a majority of the remaining Directors agree that, in their judgment, such service is unlikely to create a conflict of interest, on the part of that individual, prejudicial to the Corporation.

6.16 Authority and Manner of Acting.

(a) Unless otherwise provided in these Bylaws or unless otherwise ordered by the Board of Directors, any such committee shall act by a majority vote of all of its members (excluding nonvoting, ex officio members) at a meeting at such place or through electronic communication as permitted under the laws of the Commonwealth of Pennsylvania or by a writing or writings signed by all of its members (excluding nonvoting, ex officio members).

(b) A committee is authorized to take any action or transact any business specifically delegated by the Board of Directors. If a committee is delegated complete authority to take a specific action or to transact a specific business matter by the Board of Directors, any such action or business transaction of the committee pursuant to the delegation of authority shall be as effective for all purposes as an act or business transaction by the Board of Directors. No action of a committee shall be valid unless taken at a meeting at which a quorum is present, except that any action which may be taken at a meeting of a committee may be taken without a meeting if a consent in writing (setting forth the action so taken) shall be signed by all members of the committee.

(c) All committees of the Board of Directors shall prepare and file minutes of all meetings with the Assistant Secretary to be filed with or entered upon the records of the Corporation.

6.17 Term; Vacancies.

Unless otherwise specified by the Board of Directors, appointment to a committee shall be for a period of one (1) year. Any vacancy occurring in a committee and any positions required to be filled by reason of an increase in the number of members of the committee shall be filled by the Chair.

6.18 Committee Chairpersons.

Unless otherwise provided in these Bylaws, the chair of each committee shall be appointed by the Chair and shall be a member of the Board. The chair of each committee may appoint a vice-chair for the committee, with the concurrence of the Chair.

ARTICLE VII
NOTICE AND CONDUCT OF MEETINGS

7.1 Written Notice.

Except as otherwise provided in these Bylaws, whenever written notice is required to be given by any person under the provisions of any statute or these Bylaws, it may be given by sending a copy thereof through the mail or overnight delivery or by hand delivery, in each case with charges prepaid, or by facsimile transmission confirmed by one of the foregoing methods, to the individual's address appearing on the books of the Corporation or supplied by the individual to the Corporation for the purpose of notice.

7.2 Written Waiver of Notice.

Whenever any written notice is required as set forth in these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

7.3 Waiver of Notice by Attendance.

Attendance of a person in person at any meeting shall constitute a waiver of notice of such meeting except when a person attends the meeting for the express purpose of objecting to the transaction of any business because the meeting has not been lawfully called or convened.

7.4 Procedure.

All meetings of the Board of Directors and the committees thereof shall be conducted in an orderly manner with a view to affording full and fair discussion of the matters properly before such meetings.

ARTICLE VIII
MEDICAL STAFF

8.1 Appointment.

The Board of Directors shall appoint and approve clinical privileges for a Medical Staff at its hospital facility, who shall be legally licensed to practice medicine, surgery, dentistry, or podiatry, in the Commonwealth of Pennsylvania, or who shall be allied health professionals practicing within the scope of their clinical training. The Board shall see that the Medical Staff is organized into responsible supervisory units and shall approve such Medical Staff organizational documents, including, but not limited to, Bylaws and Rules and Regulations that set forth its organization and governance, as are deemed to be of greatest benefit to the care of patients the Corporation serves and to the functions of teaching and research as may properly accompany the care of such patients.

8.2 Term.

All appointments to the Medical Staff shall be for a period of no more than two (2) years.

8.3 Delegation.

The Board shall delegate to the Medical Staff the responsibility and authority to investigate and evaluate all matters relating (i) to the quality of medical care in the Corporation; (ii) to Medical Staff membership status, clinical privileges and corrective action; and (iii) to means whereby issues concerning the Medical Staff and the Corporation may be discussed within the Medical Staff and with the Board and the President/CEO. The Medical Staff shall adopt and forward to the Board, specific written recommendations concerning matters it has evaluated, along with appropriate supporting documentation, which will allow the Board to take informed action.

8.4 Reservation.

The Board specifically reserves the authority to take any action that is appropriate with respect to any individual appointed to the Medical Staff or given clinical privileges in the Corporation who is charged with questions involving clinical incompetence or inappropriate behavior with respect to hospital rules, policies, patients, property or personnel. Action taken by the Board in such matters may, but need not, follow the procedures outlined in the Medical Staff organizational documents. Any such Board action involving questions of an individual's clinical competence or behavior that would result in a reduction of clinical privileges, suspension of clinical privileges for a month or more, revocation of staff appointment or denial of reappointment shall entitle the affected individual to a hearing and appeal as outlined in the Medical Staff organizational documents, except that (1) the members of the hearing body shall be appointed by the Chair and (2) at the conclusion of the hearing, the hearing body's recommendation and report shall be sent directly to the Board.

8.5 Ultimate Responsibility.

No assignment, referral, or delegation of authority by the Board of Directors shall relieve the Board of Directors of its responsibility for the conduct of the Corporation. The Board of Directors shall retain the right to rescind any such delegation.

8.6 Clinical Chiefs

All appointments for Clinical Chiefs of Service (Department Chairman) shall be made by the Board upon recommendation of the Medical Staff and shall be for one (1) year. Duties and responsibilities of the Clinical Chiefs shall be as set forth in the Medical Staff organizational documents. Clinical Chiefs shall be required to maintain their qualifications for Medical Staff membership and privileges appropriate to their assignments.

8.7 Quality Assurance and Utilization Standards

(a) The Board of Directors, through the President/CEO of the Corporation, and in the exercise of its overall responsibility, shall assign to the Medical Staff responsibility for ensuring appropriate professional care to the Corporation's patients.

(b) The Medical Staff shall conduct an ongoing review and appraisal of the quality of professional care rendered to the Corporation and shall report such activities and their results through the President/CEO of the Corporation and the Joint Conference Committee to the Board.

(c) The Medical Staff, through the President/CEO of the Corporation and the Joint Conference Committee, shall make recommendations to the Board and/or the Executive Committee on: (1) appointments, reappointments, and other changes in Medical Staff status; (2) granting of clinical privileges; (3) disciplinary actions; (4) all matters relating to professional competency; (5) delegation of certain practices of medicine to limited health care practitioners; and (6) all matters as may be referred to the Medical Staff by the Board.

(d) In the event that the Board does not concur with the Medical Staff recommendation, the recommendation shall be referred back to the Joint Conference Committee of the Board for further review prior to final Board or Executive Committee action.

8.8 Bylaws, Rules and Regulations

There shall be Medical Staff organizational documents, including, but not limited to, Bylaws and Rules and Regulations for the Medical Staff that set forth its organization and governance. Proposed Medical Staff organizational documents should be recommended by the Medical Staff through the President/CEO of the Corporation and the Joint Conference Committee, subject to approval by the Board. The Medical Staff shall have the initial responsibility to formulate, adopt, and recommend to the Board, Medical Staff organizational documents and amendments thereto which shall be effective when approved by the Board. If the Medical Staff fails to exercise this responsibility in good faith and in a reasonable, timely, and responsible manner, and after written notice from the Board to such effect, including a reasonable period of time for response, the Board may resort to its own initiative in formulating

or amending Medical Staff organizational documents, including, but not limited to, Medical Staff Bylaws, Rules and Regulations. In such event, Medical Staff recommendations and views shall be carefully considered by the Board during its deliberation and in its action.

ARTICLE IX GENERAL PROVISIONS

9.1 Checks, Drafts, Etc..

All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to the Corporation and any and all securities owned or held by the Corporation requiring signature for their transfer shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined in these Bylaws or by the Board of Directors.

9.2 Annual Report.

The President/CEO and Treasurer shall cause to be prepared and shall annually present at a meeting of the Board of Directors, an annual report prepared in conformity with the requirements of Section 5553 of the Nonprofit Corporation Law, and such report shall be filed with the minutes of the annual meeting of the Board of Directors. In addition, if there has been any change in the officers of the Corporation, the President/CEO shall cause to be filed with the Pennsylvania Department of State, on or before April 30 of the following year, a statement prepared in conformity with the requirements of Section 5110 of the Nonprofit Corporation Law.

9.3 Annual Public Meeting.

The Board of Directors may designate one meeting annually open to the general public. This meeting shall be well publicized in advance and shall be held at a time and place convenient for attendance by the general public.

9.4 Annual Review.

The Chair shall cause these Bylaws to be reviewed annually, recommend revisions if necessary, and dated to indicate when last reviewed or revised.

9.5 No Contract Rights.

Except as otherwise set forth in Section 4.9 and Section 12.11 of these Bylaws, no provision of these Bylaws shall vest any property or contract right in any person.

9.6 Fiscal Year.

The fiscal year of the Corporation shall end on such day as shall be fixed by Ultimate Parent.

9.7 Auxiliary Organizations.

Subject to Section 3.3 of these Bylaws, the Board of Directors may provide for the establishment of auxiliary organizations and the Bylaws of any such organizations shall be subject to the approval of the Board of Directors.

ARTICLE X

INVESTMENT OF CORPORATE FUNDS

10.1 General.

The Board of Directors may take, receive and hold, in trust, such property, real or personal, as may be given, devised to or otherwise vested in the Corporation, in trust, for such purposes, set forth in the trust instrument, as are consistent with the charitable purposes of the Corporation. The Board of Directors may take, receive and hold such other property, real or personal, as may be given, devised to or otherwise vested in the Corporation, outright, as part of the general assets of the Corporation and committed to its charitable purposes.

10.2 Investment.

The Corporation shall have the right to retain or sell all or any part of any securities or property, real or personal, given, devised to or otherwise vested in it, whether outright or in trust, and to invest and reinvest any funds held by it, according to the judgment of the Board of Directors.

ARTICLE XI

LIMITED LIABILITY OF DIRECTORS

11.1 General.

A Director of this Corporation shall stand in a fiduciary relation to this Corporation and shall perform his or her duties as a director, including his or her duties as a member of any committee of the Board of Directors upon which he or she may serve, in good faith, in a manner, he or she reasonably believes to be in the best interests of this Corporation, and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances. In performing his or her duties, a director shall be entitled to rely in good faith on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by any of the following:

(a) One or more officers or employees of this Corporation whom the director reasonably believes to be reliable and competent in the matters presented.

(b) Counsel, public accountants or other persons as to matters which the director reasonably believes to be within the professional or expert competence of such persons.

(c) A committee of the Board of Directors upon which he or she does not serve, duly designated in accordance with law, as to matters within its designated authority, which committee the director reasonably believes to merit confidence.

A director shall not be considered to be acting in good faith if he or she has knowledge concerning the matter in question that would cause his/her reliance to be unwarranted.

11.2 Effects.

In discharging the duties of their respective positions, the Board of Directors, committees of the Board of Directors and individual directors may, in considering the best interests of the Corporation, consider the effects of any action upon employees, upon suppliers and customers of the Corporation and upon communities in which its offices are located or other pertinent factors. The consideration of these factors shall not constitute a violation of Section 11.1 hereof.

11.3 Presumption of Best Interests.

Absent breach of fiduciary duty, lack of good faith or self-dealing, actions taken as a director or any failure to take any action shall be presumed to be in the best interest of the Corporation.

11.4 No Personal Liability.

A director of the Corporation shall not be personally liable for monetary damages as such for any action taken, or any failure to take any action, unless:

(a) the director has breached or failed to perform the duties of his or her office under Sections 11.1 through 11.3 hereof; and

(b) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

11.5 Exceptions.

The provisions of Section 11.4 hereof shall not apply to:

(a) the responsibility or liability of a director pursuant to any criminal statute;

or

(b) the liability of a director for the payment of taxes pursuant to local, state or federal law.

ARTICLE XII
INDEMNIFICATION AND INSURANCE

12.1 Right to Indemnification - General.

Any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (whether brought by or in the name of the Corporation or otherwise), by reason of the fact that he or she is or was a representative of the Corporation, or is or was serving at the request of the Corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by the Corporation to the fullest extent now or hereafter permitted by applicable law in connection with such action, suit or proceeding arising out of such person's service to the Corporation or to such other corporation, partnership, joint venture, trust or other enterprise at the Corporation's request. The term "representative," as used in this Article XII, shall mean any director, officer, member of a committee created by or pursuant to these Bylaws, and any other person who may be determined by the Board of Directors to be a representative entitled to the benefits of this Article XII.

12.2 Right to Indemnification - Third Party Actions.

Without limiting the generality of Section 12.1 of these Bylaws, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that he or she is or was a representative of the Corporation, or is or was serving at the request of the Corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by the Corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

12.3 Right to Indemnification - Derivative Actions.

Without limiting the generality of Section 12.1 of these Bylaws, any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a representative of the Corporation, or is or was serving at the request of the Corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by the Corporation against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action, suit or proceeding if he or she acted in good faith and in a

manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation; except, however, that indemnification shall not be made under this Section 12.3 in respect of any claim, issue or matter as to which such person has been adjudged to be liable to the Corporation unless and only to the extent that the Court of Common Pleas of the county in which the registered office of the Corporation is located or the court in which such action, suit or proceeding was brought determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses that the Court of Common Pleas or such other court shall deem proper.

12.4 Advance of Expenses.

Unless in a particular case advancement of expenses would jeopardize the Corporation's tax exempt status under Section 501(a) of the Code or result in the Corporation's failure to be described in Section 501(c)(3) of the Code, expenses (including attorneys' fees) incurred by any representative of the Corporation in defending any action, suit or proceeding referred to in this Article XII shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the representative to repay such amount if it is ultimately determined that he or she is not entitled to be indemnified by the Corporation as authorized in this Article XII or otherwise.

12.5 Procedure for Effecting Indemnification.

Unless ordered by a court, any indemnification under Section 12.1, Section 12.2 or Section 12.3 of these Bylaws shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the representative is proper in the circumstances because he or she has met the applicable standard of conduct set forth in such subsections. Such determination shall be made:

(a) By the Board of Directors by a majority of a quorum consisting of directors who were not parties to such action, suit or proceeding; or

(b) If such a quorum is not obtainable, or if obtainable and a majority vote of a quorum of disinterested directors so directs, by independent legal counsel in a written opinion.

12.6 Indemnification Not Exclusive.

The indemnification and advancement of expenses provided by or granted pursuant to this Article XII shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any other provision of these Bylaws, agreement, vote of disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office shall continue as to a person who has ceased to be a representative of the Corporation and shall inure to the benefit of the heirs and personal representatives of such person.

12.7 When Indemnification Not Made.

Indemnification pursuant to this Article XII shall not be made in any case where (a) the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness or (b) indemnification would jeopardize the Corporation's tax exempt status under Section 501(a) of the Code or result in the Corporation's failure to be described in Section 501(c)(3) of the Code.

12.8 Grounds for Indemnification.

Indemnification pursuant to this Article XII, under any other provision of these Bylaws, agreement, vote of directors or otherwise may be granted for any action taken or any failure to take any action and may be made whether or not the Corporation would have the power to indemnify the person under any provision of law except as otherwise provided in this Article XII and whether or not the indemnified liability arises or arose from any threatened, pending or completed action by or in the right of the Corporation. The provisions of this Article XII shall be applicable to all actions, suits or proceedings within the scope of Section 12.1, Section 12.2 or Section 12.3 of these Bylaws, whether commenced before or after the adoption hereof, whether arising from acts or omissions occurring before or after the adoption hereof.

12.9 Power to Purchase Insurance.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a representative of the Corporation or is or was serving at the request of the Corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article XII.

12.10 Creation of a Fund to Secure or Insure Indemnification.

The Corporation may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise secure or insure in any manner its indemnification obligations, whether arising under or pursuant to this Article XII or otherwise.

12.11 Status of Rights of Indemnities.

The rights to indemnification and advancement of expenses provided by or granted pursuant to this Article XII shall (a) be deemed to create contractual rights in favor of each person who serves as a representative of the Corporation at any time while this Article is in effect (and each such person shall be deemed to be so serving in reliance on the provisions of this Article), and (b) continue as to a person who has ceased to be a representative of the Corporation.

12.12 Applicability to Predecessor Companies.

For purposes of this Article XII, references to the "Corporation" includes all constituent corporations or other entities which shall have become a part of the Corporation by consolidation

or merger or other similar transaction and their respective current and former affiliates, and references to “representatives” shall include members of any such corporation, entity or affiliate, so that any person who was a member, director, officer, committee member or other representative of such a corporation, entity or affiliate or served as a member, director, officer, committee member or other representative of another corporation, partnership, joint venture, trust or other enterprise at the request of any such corporation, entity or affiliate shall stand in the same position under the provisions of this Article XII with respect to the Corporation as he or she would if he or she had served the Corporation in the same capacity. Without limitation of the foregoing, each member, director, officer and committee member of each predecessor to the Corporation shall have the same contract rights as are afforded pursuant to Section 12.11 of these Bylaws.

ARTICLE XIII

CONFLICTS OF INTEREST

13.1 Disclosure.

In connection with any actual or possible conflict of interest, an interested person must disclose the existence and nature of his or her financial interest to the Board of Directors and any relevant committee members. For this purpose, an interested person shall include any director, officer, or member of a committee of the Corporation or an entity affiliated with the Corporation who has a direct or indirect financial interest in a proposed transaction. A financial interest shall include: (a) an ownership or investment interest in any entity with which the Corporation has a proposed transaction or arrangement; (b) a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a proposed transaction or arrangement; and (c) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement. If a person is an interested person with respect to any entity in the health care system of which the Corporation is a part, he or she is an interested person with respect to all entities in the health care system.

13.2 Recusal and Investigation.

After disclosure of the financial interest, the interested person shall leave the Board of Directors or committee meeting while the financial interest is discussed and voted upon. The remaining directors or committee members shall decide if a conflict of interest exists. If a conflict of interest exists, the following procedures shall be followed: (a) the Chief Executive Officer shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement; (b) after exercising due diligence, the Board of Directors or committee shall determine whether the Corporation could obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest; and (c) if a more advantageous transaction or arrangement is not reasonably attainable, the Board of Directors or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Corporation's best interests and for its own benefit and whether the transaction is fair and

reasonable to the Corporation and shall decide as to whether to enter into the transaction or arrangement in conformity with such determination.

13.3 Failure to Disclose.

If a director or committee member has reasonable cause to believe that an interested person has failed to disclose actual or possible conflicts of interest, he shall inform the interested person of the basis of such belief and afford the interested person an opportunity to explain the alleged failure to disclose. If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the Board of Directors or committee determines that the interested person has in fact failed to disclose an actual or possible conflict of interest, the Board of Directors shall take appropriate steps to protect the Corporation.

13.4 Record of Actions.

The minutes of the Board of Directors and all relevant committees shall contain the following: (a) the names of persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Board of Directors' or committee's decision as to whether a conflict of interest in fact existed; and (b) the names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.

13.5 Compensation.

Special procedures shall be in effect with respect to compensation issues. A voting member of the Board of Directors or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation. Physicians who receive compensation from the Corporation, whether directly or indirectly or as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

13.6 Annual Statements.

Each interested person shall annually sign a statement that affirms that such person (a) has received a copy of the conflicts of interest policy, (b) has read and understands the policy, (c) has agreed to comply with the policy, and (d) understands that the Corporation is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes. This policy shall be reviewed annually for the information and guidance of members of the Board of Directors, and any new member shall be advised of the policy upon entering on the duties of his office. In addition, the Corporation shall conduct periodic reviews of its activities, including any transactions or arrangements with interested persons, to ensure that its activities in the aggregate promote and further the Corporation's exempt charitable, scientific, and educational purposes.

ARTICLE XIV

AMENDMENT

Subject to Section 4.2(b) of these Bylaws, these Bylaws may be altered, amended or repealed, or new Bylaws may be adopted, only by Ultimate Parent.

HISTORY OF BYLAWS

The Bylaws of Jefferson Regional Medical Center were first amended, restated and adopted on _____, 201__.

EXHIBIT 3

RESERVED POWERS OF UPE AND UPE PROVIDER SUB

- The reserved powers to be held by UPE and UPE Provider Sub relative to JRMC shall include the following:

(a) Reserved Powers of UPE Provider Sub. UPE Provider Sub shall have the right and power to make recommendations to UPE with respect to actions by UPE on the matters reserved to UPE under Section 3.3(b) of these Bylaws. UPE shall have no obligation to approve any such recommendations, and UPE may take actions that have not been recommended by, or that are contrary to recommendations of, the UPE Provider Sub.

(b) Reserved Powers of Ultimate Parent. The following rights and powers are reserved to Ultimate Parent:

(i) Subject to Sections 4.2(b) and 4.4 of these Bylaws, to determine the number of directors that will comprise the Board of Directors of the Corporation;

(ii) Subject to Sections 4.2(b), 4.4 and 4.6 of these Bylaws, to elect the directors of the Corporation;

(iii) Subject to Sections 4.2(b) of these Bylaws, to remove any of the directors of the Corporation and to replace any such director for the unexpired portion of his or her term;

(iv) To approve the election, re-election and removal of all officers, including the President/CEO, of the Corporation and the subsidiaries in accordance with Article V;

(v) To amend, revise or restate the Corporation's and the subsidiaries' Articles of Incorporation and Bylaws; provided however, that UPE shall have no power to amend, revise or restate Section 4.2(a) or this proviso of Section 3.3(b)(v) of these Bylaws, each of which may be amended only upon the concurrent approval of both (a) the UPE JRMC Board Members, voting as a class, and (b) the Jefferson JRMC Board Members, voting as a class;

(vi) To adopt or change the mission, purpose, philosophy or objectives of the Corporation or the subsidiaries;

(vii) To change the general structure of the Corporation or any of the subsidiaries as a voluntary, nonprofit corporation;

(viii) To (1) dissolve, divide, convert or liquidate the Corporation or the subsidiaries, (2) consolidate or merge the Corporation or the subsidiaries with another

corporation or entity, (3) sell or acquire assets, whether in a single transaction or series of transactions, where the consideration exceeds 1% of the Corporation's consolidated total assets;

(ix) To approve the annual consolidated capital and operating plan and budget of the Corporation and the subsidiaries, and any amendments thereto or significant variances therefrom;

(x) To approve the incurrence of debt by the Corporation and the subsidiaries or the making of capital expenditures by the Corporation and the subsidiaries during any fiscal year of the Corporation, in either case in excess of one quarter of 1% of the consolidated annual operating budget of the Corporation for such fiscal year, if such debt or capital expenditures are not included in the Corporation's or subsidiaries' approved budgets, whether in a single transaction or a series of related transactions;

(xi) To approve any donation or any other transfer of the Corporation's or the subsidiaries' assets, other than to the UPE Provider Sub or to the Corporation by the subsidiaries, in excess of \$10,000.00, unless specifically authorized in the Corporation's or the subsidiaries' approved budgets;

(xii) To approve strategic plans and mission statements of the Corporation and the subsidiaries;

(xiii) To approve investment policies of the Corporation and the subsidiaries;

(xiv) To approve the closure or relocation of a licensed healthcare facility of the Corporation and the subsidiaries;

(xv) To approve the formation of subsidiary corporations, partnerships and joint ventures or to make investments in existing subsidiary corporations, partnerships and joint ventures, if the new investments of the Corporation and the subsidiaries in such subsidiary corporations, partnerships and joint ventures during any fiscal year would, in the aggregate, exceed 1% of the Corporation's consolidated total assets at the end of the prior fiscal year of the Corporation;

(xvi) To approve the dissolution of subsidiary corporations, partnerships and joint ventures of the Corporation and the subsidiaries, if the aggregate value of the ownership interests of the Corporation and the subsidiaries in such subsidiary corporations, partnerships and joint ventures so dissolved in any fiscal year would exceed 1% of the Corporation's consolidated total assets at the end of the prior fiscal year;

(xvii) To establish and manage the Corporation's program for compliance with all legal requirements applicable to the Corporation and the hospital operated by the Corporation (the "Corporation Hospital"), all accreditation and licensing requirements and the conditions of participation in all governmental payor programs applicable to the Corporation or the Corporation Hospital;

(xviii) To select and appoint auditors and to designate the fiscal year of the Corporation and the subsidiaries; and

(xix) To give such other approvals and take such other actions as are specifically reserved to members of Pennsylvania nonprofit corporations under the Nonprofit Corporation Law.

Except as may otherwise be provided by the Nonprofit Corporation Law, UPE shall have the right to both initiate and approve action in furtherance of such reserved powers, as well as the authority to directly bind the Corporation and the subsidiaries on such matters. Any action taken in this regard by UPE shall be sufficient to finally approve and adopt such actions and no action of the Board of Directors or other governing body or officer with respect to such action shall be necessary with respect thereto.

- The reserved powers to be held by UPE (as Ultimate Parent) UPE Provider Sub (as Provider Subsidiary) and JRMC (as Member) relative to the JRMC Subsidiaries shall include the following:

(a) Reserved Powers of Member.

(i) The Member shall have the right and power to make recommendations to [Provider Subsidiary] and [Ultimate Parent] with respect to actions by [Provider Subsidiary Entity] and [Ultimate Parent] on matters reserved to [Provider Subsidiary] and [Ultimate Parent] under Sections ___ and ___ of these Bylaws. [Provider Subsidiary] and [Ultimate Parent] shall have no obligation to approve any such recommendations, and may take actions that have not been recommended by, or that are contrary to recommendations of, the Member; and

(ii) The Board of Directors of the Member will have plenary authority with regard to the following:

a) To determine the number of directors that will comprise the Board of Directors of the Corporation and its subsidiaries;

b) To elect the directors of the Corporation and the directors of its subsidiaries; and

c) To remove any of the directors of the Corporation and any of the directors of its subsidiaries, and to replace such directors for the unexpired portion of his or her term.

(b) Reserved Powers of [Provider Subsidiary]:

The [Provider Subsidiary] shall have the right and power to make recommendations to [Ultimate Parent] with respect to actions by [Ultimate Parent] on the matters reserved to [Ultimate Parent] under Section ___ of these Bylaws. [Ultimate Parent] shall have no obligation to approve any such recommendations, and [Ultimate Parent] may take actions that have not been recommended by, or that are contrary to recommendations of, [Provider Subsidiary].

(c) Reserved Powers of [Ultimate Parent]:

(i) To elect and remove, with or without cause, all officers, including the President and Chief Executive Officer, of the Corporation and its subsidiaries;

(ii) To amend, revise or restate the Corporation's Articles of Incorporation and Bylaws and approve all amendments or revisions to the Corporation's Articles of Incorporation and Bylaws that may be proposed or approved by [Provider Subsidiary], the Member or Board of Directors of the Corporation; provided however, that [Ultimate Parent] will have no power to amend, revise or restate Section _____ or this proviso of Section _____ of these Bylaws, each of which may be amended only upon the concurrent approval of both (a) a majority of those Directors of the Member that are elected by [Ultimate Parent] to serve as Directors of the Member, voting as a class, and (b) a majority of the remaining Directors of the Member, voting as a class;

(iii) To adopt or change the mission, purpose, philosophy or objectives of the Corporation or its subsidiaries;

(iv) To change the general structure of the Corporation or any of its subsidiaries as a voluntary, nonprofit corporation;

(v) To (a) dissolve, divide, convert or liquidate the Corporation or its subsidiaries, (b) consolidate or merge the Corporation or its subsidiaries with another corporation or entity, (c) sell or acquire assets, whether in a single transaction or series of transactions, where the consideration exceeds 1% of the Corporation's or the relevant subsidiary's total assets, and (d) approve any of the foregoing actions that may be proposed by [Provider Subsidiary], the Member or the Board of Directors of the Corporation before such action becomes effective; [provided however, that with regard to those JPMC Subsidiaries that are required pursuant to their existing Bylaws to have Physician Representatives (as such term is defined in such Bylaws) serve on their respective Boards of Directors, the consent of each of the Physician Representatives serving on such applicable Board of Directors that was a party to an employment contract with the Corporation on _____, 201____, shall be required as a condition precedent to any of the actions described in this subsection (v) that are proposed to be taken between _____, 201____, and the later of three (3) years thereafter or the date when such employment contract expires;]

(vi) To approve the annual consolidated capital and operating plan and budget of the Corporation and its subsidiaries, and any amendments thereto or significant variances therefrom;

(vii) To approve the incurrence of debt by the Corporation and its subsidiaries or the making of capital expenditures by the Corporation and the subsidiaries during any fiscal year of the Corporation, in either case in excess of one quarter of 1% of the consolidated annual operating budget of the Corporation and its subsidiaries for each fiscal year if such debt or capital expenditures are not included in the Corporation's or subsidiaries' approved budgets, whether in a single transaction or a series of related transactions;

(viii) To approve any donation or any other transfer of the Corporation's or its subsidiaries' assets, other than to the Member or to the Corporation by its subsidiaries, in excess

of \$10,000.00, unless specifically authorized in the Corporation's or its subsidiaries' approved budgets;

(ix) To approve strategic plans and mission statements of the Corporation and its subsidiaries;

(x) To approve investment policies of the Corporation and its subsidiaries;

(xi) To approve the closure or relocation of a licensed healthcare facility of the Corporation and its subsidiaries;

(xii) To approve the formation of subsidiary corporations, partnerships and joint ventures or to make investments in existing subsidiary corporations, partnerships and joint ventures, if the new investments of the Corporation and the subsidiaries in such subsidiary corporations, partnerships and joint ventures during any fiscal year would, in the aggregate, exceed 1% of the Corporation's consolidated total assets at the end of the prior fiscal year of the Corporation;

(xiii) To approve the dissolution of subsidiary corporations, partnerships and joint ventures of the Corporation and the subsidiaries, if the aggregate value of the ownership interests of the Corporation and the subsidiaries in such subsidiary corporations, partnerships and joint ventures so dissolved in any fiscal year would exceed 1% of the Corporation's consolidated total assets at the end of the prior fiscal year of the Corporation;

(xiv) To establish and manage the Corporation's program for compliance with all legal requirements applicable to the Corporation, all accreditation and licensing requirements and the conditions of participation in all governmental payor programs applicable to the Corporation; and

(xv) To select and appoint auditors and to designate the fiscal year of the Corporation and the subsidiaries.

Except as may otherwise be provided by the Nonprofit Corporation Law, [Ultimate Parent] shall have the right to both initiate and approve action in furtherance of such reserved powers, as well as the authority to directly bind the Corporation and the subsidiaries on such matters. Any action taken in this regard by [Ultimate Parent] shall be sufficient to finally approve and adopt such actions and no action of the Board of Directors, Member, [Provider Subsidiary] or other governing body or officer with respect to such action shall be necessary with respect hereto.

TAB E

SUPPLEMENTED OVERVIEW OF HIGHMARK'S STRATEGIC VISION

INTRODUCTION

On November 7, 2011, UPE submitted a Form A filing to the Pennsylvania Insurance Department ("Department") in which it requested that the Department authorize a change in control of Highmark Inc. ("Highmark") whereby UPE would become its sole corporate member. As set forth in the Form A, UPE proposed the change in control as part of a strategy to implement an integrated delivery network ("IDN"). The Form A included an "Overview of Highmark's Strategic Vision" which identified the case for change in the western Pennsylvania health care market and a plan of action to create the necessary change. A principal component of the IDN strategy is the proposed affiliation of Highmark with West Penn Allegheny Health System, Inc. ("WPAHS") combined with additional affiliations with Jefferson Regional Medical Center ("JPMC") and Saint Vincent Health System / Saint Vincent Health Center ("SVHS/SVHC"). The second amendment to the Form A filing reiterates Highmark's commitment to the creation of an integrated health network with WPAHS as a cornerstone and reflects the amended status of the Affiliation Agreement between Highmark and WPAHS, including financial matters related to that affiliation.

A combination of marketplace forces and health care reform is forcing participants in the health care industry to change the way they do business. Highmark is firmly committed to working with all segments of the community to make necessary changes to the way it does business to help control health care costs; improve quality of patient care; preserve options and choice for individuals, employers, physicians and other health care practitioners; and ultimately create a better patient experience. The changes occurring in health care are also forcing health care delivery systems and physician practices, nationally and in Pennsylvania, to explore new approaches to enhance clinical services, improve quality and coordination of care for patients, and maintain financial soundness over the short and long term.

Highmark's vision and mission have always been to provide access to affordable, high quality care. Fee-for-service reimbursement and a lack of information transparency in the market have made fulfillment of that mission increasingly difficult. In the context of the currently changing environment, Highmark believes an opportunity exists to make the fundamental changes needed to protect policyholders and subscribers for years to come. Highmark's strategy seeks to address the shortcomings pervasive in the current system by creating a structure that coordinates care, integrates

services as appropriate, aligns physician incentives, introduces innovation and choice, and promotes evidence-based care and a differentiated patient experience. Highmark will bring the more progressive participants in the provider community together in a full-service integrated network that operates according to these principles. This structure will provide Highmark policyholders and subscribers with a unique healthcare experience – more affordable, more efficient, more satisfying and higher quality – throughout the western Pennsylvania market.

SUMMARY OF THE STRATEGIC VISION

Highmark's IDN strategy has not changed since it was first announced in the fall of 2011. The purpose of the strategy is to preserve and promote choice and competition in the western Pennsylvania health care market. The strategy involves a multi-faceted approach including: securing access to a "full-service" patient-centered network of lower-cost, high-quality, highly efficient care providers; building platforms to support care redesign and cost reduction; promoting the introduction of innovative care models and lower-cost sites of treatment; focusing on improved coordination of care; re-aligning provider incentives through new reimbursement models; and developing new insurance product designs that create incentives for value conscious decision-making by consumers, coupled with access to the next generation of cost and quality transparency tools. As part of the strategy, the IDN has been developing support services, such as physician practice management capabilities, information technology capabilities and group purchasing capabilities, to help providers lower their costs and improve the quality of the care they provide. The strategy also contemplates that the IDN will continue to develop and enhance relationships with independent physicians and community hospitals, which will complement the IDN's overall goals and activities. All of these elements of the strategy are underway and remain unchanged.

To implement this IDN strategy, Highmark is focused on five (5) critical strategic objectives – strengthen and grow the IDN, build access and service, reduce care costs, improve quality, and enhance customer satisfaction. The affiliations with WPAHS, JRMC and SVHS/SVHC, along with Highmark's overall provider network strategy, significantly advance the company's objectives.

Strengthen and Grow the Integrated Delivery Network Highmark is working diligently to preserve healthcare choice for policyholders, employers, physicians and clinicians in western Pennsylvania. Its proposed affiliations with WPAHS, JRMC and SVHS/SVHC, and its continued affiliation with physician practices are all components designed to preserve choice. Highmark's greater purpose,

however, is to create an IDN that will transform healthcare financing and delivery in western Pennsylvania. Highmark is accomplishing this by aligning physicians, hospitals, and other providers of medical care to work towards common goals of quality and efficiency. Highmark also believes in community-based care, and knows that community facilities deliver higher value (i.e., higher quality and lower cost), keep patients closer to their families and homes, and support the local economy in ways that larger, non-community based facilities do not. The IDN is a transformational system focused on wellness and prevention and a comprehensive set of holistic, ambulatory, in-home, virtual, and community-based services.

For the past 18 months, Highmark has been developing the core components of its IDN. In late 2011, Highmark launched Physician Landing Zone PC (“PLZ”), a Pennsylvania company formed as Highmark’s physician organization, the umbrella group that employs Highmark-affiliated physicians and professional staff. To accelerate the growth of the physician organization, Highmark affiliated with Premier Medical Associates and Lake Erie Medical Group, now subsidiaries of PLZ, adding 74 physicians to the organization. Also in 2011, Highmark executed a term sheet with WPAHS for the proposed affiliation and announced a partnership with MedExpress to build new urgent care centers to address critical gaps in access to medical care.

In 2012, Highmark worked with WPAHS to reopen the West Penn Hospital Emergency Department (“ED”), completed a revitalization effort at Forbes Hospital and acquired potential sites for ambulatory care facilities, beginning the development of another key component of the strategy. It also announced its proposed affiliations with JRMC and SVHS/SVHC and continued its alignment with physician practices. In addition, Highmark launched companies to support the IDN entities in achieving the strategic objectives of reducing costs and improving quality. Among these companies are Promedix LLC (“Promedix”) and Provider PPI LLC (“Provider PPI”). Promedix is Highmark's physician-facing practice management group that develops, distributes and implements support products and services for doctors. Promedix now employs approximately 100 practice staff across 16 practices. Provider PPI is Highmark’s group purchasing organization, supply chain management and distribution entity which will help affiliated and non-affiliated hospitals control rapidly increasing costs of goods and services.

These efforts form a solid foundation of the IDN on which Highmark continues to build and positions the entities for growth while securing access to healthcare for policyholders and subscribers in western Pennsylvania.

Build Access and Service. Ultimately, this network will expand access and service for Highmark's policyholders and subscribers so that they can continue to receive the care they need and have a choice of providers. In certain sub-markets, a reconstituted network will mean the difference between a network with limited capacity fully controlled by University of Pittsburgh Medical Center ("UPMC") and a robust and vibrant network with meaningful choice in key service lines. The investments in community based facilities and services in community hospitals will also improve access for certain policyholders and subscribers.

Reduce Care Costs. Health care costs for Highmark's Pennsylvania policyholders and subscribers have been rising at a rate of nearly 6% per year over the past five (5) years, a rate that is unsustainable in the longer term. Highmark's interest in the creation of an IDN, including the affiliation with WPAHS, is driven by a desire to gain control of long-term trends and bring those trends closer to CPI, which in turn would lead to a significant overall savings by 2015. Highmark believes this goal can be accomplished by changing a reimbursement structure which incentivizes providers to provide the most care, whether needed or not, to a structure that creates the most value by delivering the appropriate, highest quality care in the most efficient setting. By moving to this structure, Highmark anticipates that inpatient admissions can be reduced 5 - 10% by reducing readmissions and unnecessary admissions through coordinated, preventative outpatient care. Highmark also believes that unnecessary ED admissions can be reduced 10 - 20% by expanding access to urgent care centers and primary care offices, when appropriate.

A shift from the inpatient setting to the outpatient setting for cases that can be effectively and efficiently performed on an outpatient basis will also occur. Surgeries that can be performed more efficiently and with a better patient experience in ambulatory surgery centers or office settings will be encouraged. Highmark further estimates that diagnostic tests, including high cost procedures such as MRI's and CT scans, could be reduced by more than 10% as duplicative and unnecessary tests are avoided. Highmark believes this level is achievable as evidenced by data for the southwestern Pennsylvania region showing diagnostic testing utilization at a level more than 20% higher than the mid-Atlantic average and more than 40% higher than the national average.

In order to accomplish its objectives, Highmark must assure that its policyholders and subscribers have the ability to obtain care from the right providers, in the right setting and at the right price. Incentives of providers also must be properly aligned such that cost, quality and efficiency all are

properly recognized and rewarded. With the proper programs in place to address these issues, Highmark believes that the IDN can deliver a higher quality product at a lower cost, with both direct and indirect benefits to its own patients, policyholders, subscribers and the region. By developing programs and processes to achieve high quality, lower cost provider product delivery, Highmark should be able to control premium costs. This will in turn benefit not only Highmark subscribers, but consumers generally as other insurers in the market react to Highmark's actions. In this vein, Highmark has been working diligently to develop programs that will assist it in meeting its objectives.

In 2012, Highmark introduced Patient Centered Medical Home (“PCMH”) and Accountable Care Alliance (“ACA”) products into the market to begin transforming the market from traditional fee-for-service to new pay-for-value reimbursement methodologies. Both PCMH and ACA models contemplate tiered incentive payments to providers based on achievement of certain quality and cost standards. To date, Highmark has executed PCMH or ACA contracts with over 1,200 physicians representing 250,000 members. Highmark is currently in or will soon begin discussion with another 1,100 physicians representing an additional 240,000 members. Highmark's three-year business plan objective is to have 75% of Highmark subscribers in its service footprint using a primary care physician practice that has executed either a PCMH or ACA contract with Highmark. Highmark has reached agreement with WPAHS regarding WPAHS's entry into an ACA contract, positioning Highmark to meet its objective.

Similar to the CareFirst model and the Seattle Group Health Cooperative, Highmark's PCMH model supports primary care and family practice physicians. By coordinating all aspects of a patient's care with a team of physicians, advance practice nurses and other medical professionals, ensuring follow-up and compliance with clinical protocols and pharmaceuticals, and educating and engaging patients and their support systems. Patients remain healthier and ED visits and hospitalizations are minimized. Early results from a similar model used by the Seattle Group Health Cooperative indicated that patients enrolled in that program required 29% fewer emergency room visits and 6% fewer inpatient admissions.

Highmark has also developed a network of providers to support one or more select network products, including a product known as Community Blue effective in the market January 1, 2013. Community Blue is available at a premium rate that is up to 25% lower than other options. The lower cost of the Community Blue product reflects the commitment to reduce the cost of care and insurance by

introducing a product that supports the use of lower cost providers in a coordinated care network. Community Blue reimbursement rates are negotiated on a provider-by-provider basis. Highmark's objective is to secure a distinct and sustainable difference in reimbursements between its wide access PPO product and the Community Blue product over time. WPAHS is a key provider within Highmark's Community Blue network.

Health care expenses have exceeded GDP growth by 2.5 times over the last several decades. Highmark believes that any future health care offering will need to slow the recent pattern of perpetual and excessive cost inflation. If current trends continue, this cost inflation will make health care increasingly unaffordable to families, employers, and individuals. Controlling the excess growth of provider costs is the only way to reduce the rate of projected unsustainable cost increases. This struggle to control costs led Highmark and UPMC to a dispute over their 2012 facility contract renewals. In a mediated conclusion to the UPMC contract dispute with Highmark, UPMC received an increase in commercial facility payments, which will increase costs beyond standard medical inflation. A viable alternative to UPMC must be pursued to address the principal drivers of the excessive cost inflation in the southwestern Pennsylvania market. This will be done, as discussed above, by providing access and choice, better aligning incentives across the value chain, facilitating the coordination of care, and encouraging more value conscious decision-making on the part of providers and policyholders and subscribers.

Improve Quality. From 2008 - 2012, Highmark's *Quality Blue* hospital pay-for-performance program, which now includes 91 hospitals in Pennsylvania, West Virginia and New York, including WPAHS, has averted 3,402 healthcare acquired infections and resulted in total care cost savings of over \$56 million due to infection prevention. Hospitals that have participated in the readmissions indicator part of the program for three years showed a statistically significant decrease in 30-day inpatient and observation readmissions rates in 2012 compared to 2011. *Quality Blue* physician pay-for-performance programs have raised compliance with, and exceeded national standards for, key performance measures such as asthma medication management, breast cancer screenings, cervical cancer screenings and strep testing. Highmark's ACA and PCMH initiatives create a unified structure built on primary care and these existing *Quality Blue* programs. Together with a health information exchange ("HIE") backbone, the IDN and its participation in the ACA and PCMH models will lead to improved coordination of care, which will reduce duplication of services and reduce medical errors.

Highmark believes that the protocols that can be developed and implemented by an integrated network will also result in a significant improvement in the quality of care. Together, WPAHS and Highmark will establish and disseminate evidence-based protocols that have been proven to improve outcomes in care delivery, which will result in greater coordination of care for patients. Highmark believes that this greater coordination will result in improved quality of care, such as reductions in unnecessary diagnostic tests, inpatient admissions, avoidable readmissions and emergency room services, thereby reducing costs and improving outcomes. For example, Geisinger's ProvenHealth Navigator program, an integrated approach to care delivery, has resulted in reductions of up to 30% in hospital readmissions and 20% in acute admissions.

Enhance Customer Satisfaction. An integrated network will also have significant benefits for the experience of Highmark's policyholders and subscribers. Care will be better coordinated as patient medical information is shared across an aligned group of providers. Policyholders and subscribers will experience more seamless transfers between providers (e.g., from a PCP to specialist) and will have a dedicated team of providers who know them and their health. In 2012, an annual customer satisfaction study conducted by J. D. Power and Associates to assess consumer satisfaction with various providers of health insurance discovered that customer satisfaction tends to be higher for integrated delivery networks (e.g., Kaiser Permanente) than for standalone plans.

Highmark has already implemented several initiatives to improve overall policyholder and subscriber experience and satisfaction. Among these consumer initiatives, Highmark has opened retail distribution channels (including brick-and-mortar retail stores) and enhanced direct-to-consumer communications. Highmark has also developed consumer-centered care delivery models such as a nurse hotline targeting diabetic and heart disease policyholders and subscribers. Leveraging consumer insights, Highmark has been able to improve member satisfaction and participation in care management models. Drawing on this expertise and capability, Highmark anticipates building a similarly differentiated experience for patients across the integrated system.

IMPLEMENTATION PROGRESS OF THE IDN STRATEGY

Highmark has made significant progress in developing its IDN, fortifying its footprint by aligning strategic partners and building core assets to form its delivery network in western Pennsylvania. An update on the core entities within the IDN strategy is included below.

West Penn Allegheny Health System. As indicated above, a principal component of the Highmark IDN strategy is the proposed affiliation between Highmark and WPAHS. As has been well documented, WPAHS has a recent history of financial challenges.

To date, Highmark has advanced \$200 million to WPAHS in accordance with the terms of the Affiliation Agreement to complete initiatives identified in the turnaround plan submitted to the Department in November 2011. With the financial support from Highmark, WPAHS reopened the West Penn Hospital ED on February 14, 2012. Since then, ED utilization has exceeded expectations and the patient wait time for admission from ED has been reduced from 2.5 hours to 30 minutes. Office renovations at West Penn Hospital are on schedule for April 2013 to accommodate returning and new physicians. At Forbes Hospital, facility improvements and preparedness have resulted in less loss of business than anticipated due to the opening of UPMC East.

Alternatives for improving the financial outlook of WPAHS have been assessed. It was determined that the timeline for restructuring the debt was a critical factor to avoid further deterioration of the health system assets, including the potential loss of valuable physicians and staff of WPAHS. With the timeline as a key concern, an agreement was reached with the WPAHS bondholders to restructure the debt.

In connection with an amendment to the WPAHS Affiliation Agreement, Highmark intends to offer to acquire all of the outstanding WPAHS bonds in a tender offer. Launching the tender offer is conditioned upon the holders of at least seventy-three and one half percent (73.5%) of the aggregate outstanding principal amount of the WPAHS bonds agreeing to tender their bonds into Highmark's tender offer. The tender offer will be an all cash offer at \$0.875 per \$1.00 of principal plus accrued interest, an approximately \$65 million to \$89 million discount. Highmark will borrow the funds required to purchase the WPAHS bonds, or it will use its own funds to do so. Principal and interest payments from WPAHS will be deferred until July 1, 2015 on Highmark-held bonds. The consensual plan requires an escrow of \$50 million that is forfeited if closing does not occur by April 30, 2013, under certain circumstances. Prior to and as a condition to the tender and purchase of the WPAHS bonds, the existing holders of the WPAHS bonds, as the holders of a majority in principal amount of the WPAHS bonds and as the beneficial holders of a majority in principal amount of the obligations issued and outstanding under the Master Trust Indenture, will consent to certain amendments to the Master Trust Indenture and the Bond Indenture. At a later date, following the consummation of the

proposed affiliation between Highmark and WPAHS, the WPAHS bonds will be refinanced or refunded with the proceeds of new tax-exempt bonds issued under more favorable terms.

Highmark will also fund \$200 million of additional loans as contemplated in the Affiliation Agreement. Funding in the amount of \$75 million, per the Affiliation Agreement for medical education, will be redirected as a grant to be used for, among other purposes, making capital improvements and funding the continuing operations of WPAHS. Highmark will forgive interest on the \$300 million of total loans outstanding if a debt service coverage ratio of 3.0 is not achieved. As a component of Highmark's provider rate negotiations, it will also provide \$10 million of supplemental payments to WPAHS in each of the next five (5) years, which is equivalent to the standard medical index. Together, these steps are designed to put WPAHS back on a path to financial stability and viability and provide the necessary capital to upgrade equipment and facilities to allow the system to be a viable competitor in the market. Highmark and WPAHS remain committed to supporting medical education in the region, once WPAHS is financially stable.

Jefferson Regional Medical Center. On June 11, 2012, Highmark announced that it had reached an agreement in principle with respect to a proposed affiliation with JRMC, a hospital system in southern Allegheny County. On August 13, 2012, the parties executed a definitive agreement with respect to this proposed affiliation.

The proposed affiliation between Highmark and JRMC is another important step in Highmark's strategy to create an integrated health care delivery and financing system in western Pennsylvania. The proposed affiliation with JRMC preserves provider choice for Highmark policyholders and subscribers, especially those living in the southern region of the Greater Pittsburgh area, and ensures that they will continue to have access to high-quality services at one of the Pittsburgh region's leading community hospitals. The affiliation between Highmark and JRMC will seek to stem the unnecessary migration of certain health services out of the southern region of Greater Pittsburgh, creating greater convenience for patients and maintaining the economic vitality of local communities.

As part of the proposed affiliation with JRMC, Highmark has committed to support a series of facility improvements and additions at JRMC, including a renovated ED, expanding services to JRMC's Bethel Park outpatient campus to complement the existing diagnostic center and physician office complex, and enhancing clinical services such as neurosurgery and gynecology. The scope of the service expansions will be determined based on the cost of the services and programs, but will include

an emphasis on health and wellness, oncology and women's care. Highmark will assure the completion by JRMC of these important capital projects by providing funding, in an amount not to exceed \$100 million, to cover the costs of the projects to the extent JRMC excess cash flows are insufficient to do so. It is anticipated that, through the creation of additional service lines at JRMC and the development of insurance products that optimize utilization in the system, cash flow will be further enhanced, and, as a result, Highmark will not be obligated to fund the full \$100 million.

Also as part of the affiliation, Highmark will contribute \$75 million to the JRMC Foundation to improve the health and wellness of the communities served by JRMC. Highmark also will guarantee that JRMC is able to satisfy its liabilities as of March 31, 2012, including debt and pension. JRMC is a financially stable institution with a debt rating of Baa2 as of August 2012. As such, Highmark does not anticipate that JRMC will be unable to satisfy its debt obligations as they become due.

The affiliation between Highmark and JRMC is not an alternative to the proposed Highmark-WPAHS affiliation. When the proposed affiliation with JRMC is consummated, JRMC will become another core component of the IDN envisioned by Highmark for western Pennsylvania. It will complement the proposed affiliation between Highmark and WPAHS, as WPAHS does not currently have full service provider capabilities in the geographic area served by JRMC. Thus, a Highmark-JRMC affiliation will fill a potential gap in Highmark's IDN and enhance WPAHS through the development of clinical partnerships that will benefit WPAHS's tertiary services.

The JRMC affiliation is not dependent on the Department's approval of the pending Form A, and Highmark intends to consummate the JRMC affiliation regardless of whether the Form A is approved.

Saint Vincent Health System. The proposed affiliation with SVHS/SVHC is another important step in Highmark's IDN strategy. The proposed affiliation between Highmark and SVHS/SVHC will seek to stem the unnecessary migration of certain health services out of the Erie, PA region, creating greater convenience for Erie-area patients, providing access to high-quality services at one of Erie's leading tertiary hospitals and maintaining the economic vitality of the local community and northwestern Pennsylvania.

The proposed affiliation is also designed to help SVHS/SVHC strengthen its hospital inpatient and outpatient services and improve health and wellness services in the community while continuing to assure the delivery of high-quality care across the entire health system. Highmark has agreed to make

certain payments in connection with the SVHS/SVHC affiliation transaction, including \$10 million to the Sisters of Saint Joseph of Northwestern Pennsylvania (the "SSJ Member"), \$5 million for capital projects for SVHS to support the healthcare mission of SSJ Member and \$20 million for SVHS to improve its existing facilities and invest in new assets for the Erie and northwestern Pennsylvania regions. All of these payments are grants from Highmark.

In addition, Highmark will permit SVHS/SVHC to invest approximately \$40 million over three years to improve its existing facilities and invest in new assets for the Erie and northwestern Pennsylvania regions.

The SVHS/SVHC affiliation is not dependent on the Department's approval of the pending Form A, and Highmark intends to consummate the SVHS/SVHC affiliation regardless of whether the Form A is approved.

Medical Malls and Ambulatory Care. The outpatient and ambulatory settings that Highmark is developing are aimed at filling gaps in outpatient care in the community. Highmark's plan is to work with community hospitals and a broad spectrum of providers to identify opportunities to develop more innovative ways to deliver cost-effective care in the most appropriate settings, building on existing resources in the community wherever possible.

Highmark is responding to consumer preference and demand in the market by encouraging the construction of integrated outpatient centers incorporating laboratory services, diagnostic imaging, physician practices, pharmacy, and other services. This model has proven to be both efficient and convenient for policyholders and subscribers. By placing these services in key geographic areas Highmark can provide policyholders and subscribers with ready access to essential services and preclude the expansion of more expensive inpatient capacity that will ultimately drive premium increases for Highmark's policyholders and subscribers and employer customers.

In 2012, Highmark acquired potential sites for such facilities. The initial conceptual designs for these facilities were finalized and planning has begun for locations in Monroeville, Bethel Park and Wexford, PA. Construction of the Monroeville and Wexford projects is underway.

Physician Organization. Highmark understands that physicians are key to the success of the healthcare delivery system. Highmark's physician organization has announced affiliations with a

number of large physician practices including Premier Medical Associates, Lake Erie Medical Associates, Orthopedic Associates of Pittsburgh and Arthritis & Rheumatic Disease Associates as well as a number of other smaller groups and individual physician practices. The physician organization currently employs 145 physicians.

Promedix LLC. As referenced above, Highmark has created a new company to provide management services to affiliated and non-affiliated physician practices. Promedix is Highmark's physician-facing practice management group that develops, distributes and implements support products for doctors. Promedix now employs approximately 100 practice staff managing 16 practices within Highmark's physician organization. Promedix will work with the IDN's physician organization to improve operational efficiency of the physician practices and provide the infrastructure to coordinate care and reduce costs.

Provider PPI LLC. Highmark is also developing capabilities as part of its overall strategy to help hospitals affiliated with the IDN, including WPAHS, JRMC and SVHS/SVHC, operate more efficiently, achieve administrative cost savings and improve patient care. Provider PPI, a supply chain services organization and an indirectly wholly-owned subsidiary of Highmark, is designed to help hospitals manage the supply chain and handle purchasing associated with all facets of hospital operations – medical surgical supplies, biomedical engineering, implantable devices, capital equipment and purchased services. Through supply chain management, Provider PPI is designed to aid the IDN-affiliated hospitals optimize purchasing, inventory management, warehousing, distribution, receiving and customer service. Recent projections indicate that through its relationship with Provider PPI LLC, WPAHS will realize significant savings by leveraging the products and services contracts of the group purchasing organization.

Health Information Exchange. Highmark is also working to develop an HIE designed to facilitate the secure sharing of patient information across multiple health systems. JRMC and SVHS/SVHC are among the first institutions to join the Highmark HIE. Patients should benefit from the HIE through fewer duplicate diagnostic tests, faster retrieval of clinical information, stronger patient safety measures and better coordination of care.

Provider Reimbursements. As referenced above, Highmark introduced new physician reimbursement methodologies to the market in 2011 through pilot programs to support the PCMH care model. Highmark also introduced accountable care reimbursement models to the market in late 2012.

Products to promote value conscious decision-making on the part of the consumer have also been developed and will be supported by consumer transparency tools.

Following this initial phase of the IDN strategy, Highmark will focus on integration across its delivery system, with a commitment to reduce the rapid escalation in healthcare costs. To meet this goal, Highmark will use provider payment methods focusing on wellness and quality. Highmark will expand its services and solutions to other markets, ensuring the highest patient experience for its regional and national customers. Together, Highmark and its provider partners can transform the healthcare financing and delivery system in western Pennsylvania into a system that is physician-led and patient-centric.

THE IMPORTANCE OF WPAHS TO THE IDN STRATEGY

A close and sustainable partnership with WPAHS is a core and necessary component to Highmark's vision of building an integrated health system. WPAHS provides significant primary and specialty care in the southwestern Pennsylvania market and, importantly, maintains the only quaternary referral hub in the region, Allegheny General Hospital ("AGH"), other than UPMC. Affiliation between WPAHS and Highmark, supported by Highmark's broader provider network strategy, will not only ensure WPAHS's long-term viability, but will help to ensure that Highmark policyholders and subscribers continue to have access to critical, affordable, quaternary and tertiary services in network.

WPAHS is very much aligned with Highmark's stated objective in developing an IDN. WPAHS has demonstrated its relentless focus on quality outcomes and is recognized as a national leader in many clinical areas. WPAHS has also expressed a strong desire to lower care costs through new care delivery models while preserving and enhancing the quality embedded in its service offerings. In order for Highmark to meet its policyholder and subscriber's needs, and drive patient satisfaction, it must be able to offer these high quality services in its provider network. A vibrant WPAHS will enable Highmark to provide access to high-quality health care services built around products that highlight quality and cost through transparency tools available to policyholders and subscribers. As Highmark makes more cost and quality-based information available to its policyholders and subscribers, they will become more informed health care consumers and be able to make health care choices that best meet their needs. A healthy WPAHS is uniquely valuable among the providers in the market for several reasons.

WPAHS is a necessary high-acuity provider. For many high-acuity clinical services, WPAHS (and AGH in particular) is the only realistic alternative to UPMC as a provider in the market. Highmark believes that if WPAHS scaled back any of its services (or ceased to make them available due to financial constraints), UPMC would gain additional market power around these services that it could use to extract above average rate increases from Highmark and other insurers. Moreover, it is unclear that there would be enough market capacity in certain high-end services to serve the community were WPAHS unable to provide these services.

WPAHS is a necessary secondary and tertiary provider alternative in certain markets. For the geographies in which the WPAHS hospitals operate, WPAHS serves as a necessary alternative to UPMC's hospitals. Highmark believes that, as with the high-end services broadly, a decrease in the provider capacity or ability to offer certain services in these geographies would increase UPMC market power and limit the capacity for patients to be served in the geographies where they are currently seeking care.

WPAHS is a major employer of physicians. Given that physicians will play a central role in the transformation of the care network, WPAHS's employment of many of the area's local physicians increases its importance to the network. WPAHS physicians have indicated a willingness to participate in alternative reimbursement structures and shared service platforms, helping to carry out the necessary changes in the system.

WPAHS willingly supports Highmark's efforts to change the healthcare market in southwestern Pennsylvania. Alongside its physicians, WPAHS has indicated a willingness to participate with Highmark in its network, helping to demonstrate to the community the benefits of Highmark's strategy. WPAHS's scale, research and education programs and shared service platforms provide a great foundation to use in implementing quality improvement programs consistent with evidence-based medicine, experimenting with innovative reimbursement structures, and integrating care delivery. The fact that these strategies will be important for improving the strategic and economic viability of WPAHS provides further impetus for WPAHS to consider these programs.

WPAHS is a key community partner. WPAHS is a key employer in the region and another non-profit entity with a mission to provide members of the community with access to high-quality healthcare. WPAHS today employs over 10,500 people, including over 3,000 nurses and 600 physicians in southwestern Pennsylvania. Its research and education programs attract additional talent into the

region. Any erosion in the viability or strength of WPAHS may jeopardize its ability to fulfill that community mission.

Highmark believes that WPAHS will not be able to continue as a nonprofit, five-hospital, quaternary facility without the affiliation. Failure of the proposed affiliation will result in higher costs, reduced access, and greater consolidation of the provider market, as WPAHS likely would be forced to shut down additional services or possibly to seek a for-profit partner, which likely would demand higher provider rates to meet required returns on capital. This situation will likely drive more volume to UPMC and poses a threat to the affordability of and access to healthcare in the region. UPMC's market position would grow even greater without a strong, competitive tertiary alternative. Other regions with a dominant health system, such as Washington, DC, Columbus, OH, Lancaster, PA, Minneapolis, MN and Salt Lake City, UT, have inpatient admissions costs nearly double the Pittsburgh region, as shown by Milliman in their annual Group Insurance Survey.

Affordability and Access to Healthcare. Affordability of healthcare in the southwestern Pennsylvania market is the primary challenge threatening the continued economic viability of both the community and Highmark. To understand the significance of the healthcare affordability issue, it should be noted that per capita healthcare spending in the Pittsburgh Metropolitan Statistical Area ("MSA") constituted 25% of family income in 2010. This is higher than comparable MSA's across the nation as well as larger MSA's like Philadelphia, Washington D.C. and Chicago. The main driver of this difference is not only the cost of care but also the volume of care delivered per person. The utilization rate for care delivery in the region drives much of the affordability issue.

As discussed in Highmark's public statement of its strategic vision, in 2010, Highmark approached UPMC with an offer to change the basis of its contract to align with Highmark's strategy. UPMC refused to engage in this conversation and insisted on a large increase on its entire Highmark revenue base unrelated to Highmark goals of rewarding performance around quality, appropriate utilization, or patient experience. Highmark calculated that the increase requested by UPMC would have represented \$400 million in additional costs per year for Highmark policyholders and subscribers (a 40% increase in the commercial facility contracts which UPMC threatened to terminate).

UPMC first threatened that it would not participate in Highmark's networks if it did not receive this significant rate increase. Subsequently, UPMC advised Highmark that it was terminating a majority of its facility contracts, effective June 30, 2012. UPMC then indicated that it also intended to terminate most of its physician contracts, thereby removing the physicians from the Highmark

network as well. Finally, a mediated agreement led to Highmark retaining UPMC in network but only until January 1, 2015. With these actions and without an alternative provider system to compete with UPMC, Highmark anticipates the healthcare expenditures for people living in southwestern PA will exceed 30% of family income in less than five (5) years.

In contrast to UPMC, Milliman estimates that Allegheny General Hospital's ("AGH") (WPAHS's flagship facility) normalized payments are 17% lower than Presbyterian / Shadyside (UPMC's flagship facility). Highmark policyholders and subscribers would realize a significant savings from the survival of WPAHS and the formation of the new IDN.

In projections previously provided to the Department, Highmark has estimated the expected savings that Highmark members receive once the IDN is fully deployed. For a family of four (4), Highmark estimates that annual savings for policies supported by a Highmark IDN with WPAHS as the "hub" would be approximately \$3,000 lower than comparable premiums without the affiliation. This estimated savings and the need for all members in the Community to have access to alternatives to UPMC are paramount.

The potential loss of UPMC facilities and physicians from Highmark's networks creates the threat of an access issue for Highmark policyholders and subscribers. In addition, UPMC's actions with respect to provider reimbursement are creating unsustainable cost escalations. This situation is untenable for Highmark and its policyholders and subscribers. It is in this context that Highmark now seeks to execute the affiliation with WPAHS and ensure a competitive environment in which Highmark and other insurance plans can compete fairly for groups, policyholders and subscribers.

Concurrent to the UPMC contract issues described above, WPAHS's financial condition has continued to deteriorate. A financially deteriorating WPAHS would risk further consolidation of UPMC's dominant position in the market which continues to expand with acquisitions such as the Altoona Hospital System. Without WPAHS, Highmark's policyholders and subscribers in certain geographic micro-markets would find themselves without meaningful options for some clinical services. If UPMC carries through on its threat not to participate in Highmark's provider network, and WPAHS is unavailable, access to a number of critical services (including OB/GYN and oncology services, among others) in which Highmark has historically made investments on behalf of the community would be seriously curtailed for Highmark policyholders and subscribers. Highmark believes that further consolidation will almost certainly ensure unsustainable cost trends in the market

given UPMC's lack of alignment with Highmark's vision for improving value within the healthcare system and, moreover, its dominant market presence. Highmark further believes that UPMC's control over the physician base will also increase the reliance of community hospitals on UPMC specialists to fill gaps, making it difficult for community hospitals to remain independent.

Facing the combination of these factors, Highmark believes that it is compelled to take action to preserve its ability to deliver value in the face of market discontinuities. After careful consideration of the strategic implications, Highmark believes that it is uniquely positioned as a partner to WPAHS for both sustainably improving its financial and strategic position and, importantly, for ensuring that WPAHS moves forward as a nonprofit entity serving the mission of providing choice and access to affordable, high-quality healthcare to the population of the region.

STAKEHOLDERS OF THE WPAHS AFFILIATION

The success of Highmark's IDN strategy has implications across a broad array of stakeholders. Not only is there substantial value of the affiliation to Highmark and to WPAHS, but also to Highmark's policyholders and subscribers, other providers in the region, the employees of both entities, and the community at large. Even other payors will benefit from more choice and competition in the area and the cost reductions that will be achieved.

VALUE TO HIGHMARK POLICYHOLDERS AND SUBSCRIBERS

Highmark's strategy seeks to address the shortcomings pervasive in the current health care delivery system by creating a structure that coordinates care, aligns physician incentives, introduces innovation, and promotes evidence-based protocols and a differentiated patient experience. The development of a second, high-quality IDN in western Pennsylvania provides significant strategic value to Highmark and eliminates its dependency on UPMC and its contract demands.

Highmark policyholders and subscribers fundamentally benefit from choice and competition in the market. If Highmark cannot undertake its IDN strategy with WPAHS as a key component, the market will be dominated by one provider system and ultimately costs, and premiums, will increase. Highmark does not believe there is another party willing to invest to make WPAHS a viable, high quality competitor to UPMC with the objective of lowering the cost of care. When the affiliation

with WPAHS is complete and other elements of the strategy are in place, Highmark policyholders and subscribers in western Pennsylvania will realize several major benefits.

Lower premiums. Highmark believes that its affiliation with WPAHS will help stabilize WPAHS's financial position and preserve WPAHS as an essential choice in the western Pennsylvania market. A vibrant WPAHS will give Highmark's policyholders and subscribers access to high-quality healthcare services built around a commercial product that will be less expensive than any product that includes UPMC. Highmark estimates that without the actions contemplated in this strategy, annual premiums for a family of four will be \$3,000 higher than they would be with an affiliation between Highmark and WPAHS. The implementation of an alternative integrated delivery system in the market, creating the ability to reduce the rate of increase of healthcare costs, will reduce the rate of increase of insurance premiums. In addition, national healthcare reform will require that Highmark offer products costing less through state-based exchanges. Consumers in other states like Massachusetts, which has implemented similar sets of reforms, have demonstrated that they prefer insurance products that are 10-15% less expensive even if the provider network excludes several hospitals and doctors.

Choice will provide the checks necessary to assure that costs are controlled which in turn helps Highmark remain competitive. Highmark engaged a consulting firm to analyze the impact of the IDN strategy on the cost of care. The results of that work have been presented previously to the Department. Highmark estimates that medical costs can be reduced by 2 - 6% simply by redirecting to appropriate, lower cost settings, while assuring quality and likely improving patient experience.

More transparency and, ultimately, higher quality. WPAHS and other community hospitals already have agreed to engage in a quality-based reimbursement system linking payments directly to the provision of quality health care. This reimbursement system, the quality metrics of which will be broadly available to every policyholder and subscriber for evaluation, induces providers, including community hospitals, to adhere to the highest standards of medicine and to ensure that the policyholder/subscriber knows much more precisely what he or she is consuming and what the cost of services are.

More choice of, and access to, providers. Preserving the financial integrity of WPAHS will permit policyholders and subscribers and patients from all insurance carriers, not just Highmark, to have greater access and choice in western Pennsylvania.

More integrated care and better subscriber experience. By developing a system that can coordinate health insurance and health provision and by introducing reimbursement structures that reward care coordination and the patient's experience, Highmark is creating an organization that improves the overall satisfaction and clinical outcomes of its policyholders and subscribers when they seek care.

Right care, in the right place, at the right time. An integrated delivery model offers the ability to move funds around in the healthcare delivery closed loop to incent the right behaviors for the benefit of patients. Moreover, because the overall care provided will be less expensive, Highmark's product will be less expensive and therefore more attractive to employers, whether self-insured or purchasing a fully insured product. Assuming a competitive insurance market, the hospitals within the system will succeed because of the higher volumes of Highmark insurance enrollees and not from the outdated model of driving higher utilization of services. The physicians engaged in the PCMH model will be incented to select the highest quality, lowest cost setting for services, so hospitals will compete for physician business. Once Highmark and WPAHS are affiliated, Highmark believes that it can jointly accelerate the quality-cost initiatives and incent all parties to focus on providing to patients the right care, at the right time, in the right setting.

Valuable Assets. Following the affiliation and the transaction with WPAHS's current bondholders, Highmark will hold an investment in the bonds of WPAHS, a financial asset on Highmark's balance sheet, and will be a secured creditor for the bonds. The value of the assets of WPAHS will support the cost of Highmark's "investment" in WPAHS. In addition, the other investments Highmark is making as part of the IDN strategy – JRMC, SVHS/SVHC and the physician organization – are all financially stable assets, often whose book value exceeds the transaction amounts. When the WPAHS assets are included with other assets that are components of the IDN strategy, the IDN is an asset of significant value and has the potential to generate substantially more.

VALUE TO WPAHS

WPAHS is an important component to Highmark's IDN strategy and the realization of the strategy's objectives. WPAHS will benefit from the affiliation through critical financial support, increased patient volume, participation in innovative models of healthcare delivery and financing, enhanced clinical protocols, capital improvements and innovative technology.

Critical and Immediate Financial Support. Highmark has provided \$200 million in funding support to WPAHS since June 2011. This intervention, however, only preserved a fragile financial status quo for a limited time. An affiliation between Highmark and WPAHS will stabilize WPAHS and provide much needed access to funding for the health system to retool to meet the emerging needs of the market. The strategic partnership will preserve WPAHS as an essential choice in the market and as the anchor to a higher-performing network based on the efficient market principles described throughout this document: pay for performance, transparency, and value-based exchange of services for dollars. WPAHS will benefit from being aligned with a partner that can offer financial incentive through product and benefit design and innovative reimbursement strategies.

Increased Patient Volume. Highmark expects that its plans to enhance the WPAHS facilities and its partnerships with other community hospitals, once executed, will help increase referrals over time from independent physicians and non-UPMC facilities. The IDN provider organization, integrated together with the WPAHS physician organization will serve as a critical source of patient volume to the WPAHS facilities. In addition, part of the strategy and proposed affiliation with WPAHS is to attract new clinical partners to the region, for example, hiring and relocating new oncology experts, as well as creating the physical capacity and technology to handle an increase in patient flow. Highmark is also in a unique position to work with WPAHS and other aligned community hospitals to increase patient volume through a suite of product designs that promote value and optimize utilization in the IDN as a whole.

Innovative Models of Healthcare Delivery. WPAHS will derive value from its participation in the pay for performance reimbursement structure giving it the opportunity to raise reimbursement levels for certain procedures by lowering costs elsewhere in the system, adhering to evidence-based care, participating in a set of shared services, and improving first-time outcomes. The ACA and PCMH models will help WPAHS deliver the right care, to the right place, at the right time, thereby lowering its cost structure.

Evidence Based Protocols. A robust network of aligned primary care physicians and facilities, financially encouraged to improve quality and reduce costs, will enhance adherence to evidence-based protocols, deepen prevention and screening efforts, and foster closer coordination and collaboration across the care continuum. Incentives will promote the adoption of new protocols and/or alter care offerings. Access to certain shared service platforms, such as clinical protocols and other supporting information embedded in electronic health records, will be built at a scale that

WPAHS could not independently create and will help to realign the WPAHS operating model to compete more effectively in a future environment.

Innovation and Improvements. As stated earlier, WPAHS has already realized value from this affiliation through various capital projects contemplated and underway, from the new ED at West Penn Hospital to the facility improvements at Forbes Hospital. There are also key information technology projects that have been initiated as part of the IDN strategy from which WPAHS will also benefit. Health information exchanges, electronic medical records and new network and infrastructure resources will help facilitate the integration and communication among constituents in the healthcare delivery cycle, improving member and patient experiences and removing costs from the process.

VALUE TO PROVIDERS

In addition to the organizations with which Highmark is affiliating, Highmark is convinced that many other providers (physicians, community hospitals, ancillary care providers) in Pennsylvania are aligned with this mission, as evidenced by collaborative arrangements Highmark is already pursuing in areas such as HIE infrastructure, physician services, accountable care organizations, patient centered medical homes and other innovative reimbursement models. There are many benefits for providers joining this "virtual" network (meaning full participation without having to be legally integrated):

A pay-for-performance ("P4P") reimbursement structure for hospitals will provide the opportunity to raise reimbursement levels for certain procedures by lowering costs elsewhere in the system, adhering to evidence-based care, participating in a set of shared services, and improving first-time outcomes.

A similar reimbursement structure for their affiliated physicians will create financial incentives to reduce unnecessary utilization, reduce variability in practice, manage length of stay more effectively, and select cost efficient options.

Shared service platforms (e.g., clinical protocols and other supporting information, HIE's, revenue cycle solutions) will be built at a scale that providers could not independently create, helping providers to realign their operating models to compete more effectively.

University-affiliated educational programs and residents in training will be sponsored by WPAHS with the goal of giving students a diverse set of experiences by working across the region and ultimately keeping more physicians in the region long-term.

Highmark continues to welcome all providers to join in this network, with the hope that they will share the aspiration of providing the community lower-cost, high-quality, patient-centered healthcare and with the understanding that consumers prefer to have more choice. Highmark will offer products and tools making the differences in cost and performance relevant and transparent, giving policyholders and subscribers full freedom of choice with the information and incentive to use the better performing or higher value providers.

Highmark is contributing to the development of this network with four initiatives addressing the provider community. Highmark is (1) re-aligning the incentives for physicians through new reimbursement models; (2) securing access to a "full-service" network of lower-cost, highly efficient care providers; (3) promoting the introduction of innovative care models and lower-cost sites of treatment; and (4) building platforms to support care redesign and cost reduction within the provider community.

VALUE TO EMPLOYEES

Preservation of WPAHS is critical to the people of the communities that it serves and to the over 10,500 people that it employs. This affiliation provides WPAHS with the best opportunity available to continue to service all of the communities that it currently serves, while maintaining its not for profit mission and continuing its support of the employment base in western Pennsylvania. For employees, an important benefit of this affiliation is that the WPAHS pension will remain in place, and they will ultimately be employed by a viable, financially stable entity that has access to capital and the potential to grow and thrive. Subsequent to the affiliation, it is anticipated that WPAHS will transition to a growth strategy and expand its employee base.

Preservation of WPAHS as a community asset also will help the economic state of the region beyond the employment provided by WPAHS. Employers in western Pennsylvania have recognized the importance of WPAHS as a community asset and, particularly, as an alternative to the UPMC Health System, to enable healthy competition to hold down increases in the cost of health care. Without WPAHS as a viable alternative to UPMC, there will be few checks on cost increases. Employers have

expressed to Highmark their concern that, without an alternative system, the cost of health care in the region will increase to unaffordable levels, forcing them to relocate, which would result in the loss of new and/or existing jobs in the region.

Highmark's focus on the creation of the IDN has resulted in its assembling a staff of over 200 since the proposed affiliation with WPAHS was announced. In addition, Highmark, secured by the benefits of an IDN, is a more viable employer for its nearly 10,000 health plan employees.

VALUE TO THE COMMUNITY

Choice and Competition. Highmark believes that its affiliation with WPAHS will help stabilize WPAHS's financial position and preserve WPAHS as an essential choice in the western Pennsylvania market. The need to maintain provider choice and competition in the market is critical, not only for Highmark and its policyholders and subscribers, but also for all other insurers and their policyholders and subscribers and the local communities in which all these organizations operate. This balance is essential to a well performing health services market. Without choice and competition, the price of healthcare in the market will be largely driven by a single dominant health care system and consumer costs will escalate. Competition will provide the checks necessary to assure that costs are controlled.

Employer Cost Savings. Employers in the region will benefit from increased access to care and competition among providers in the region. Pittsburgh has the highest healthcare costs as a percent of median household income. Without the IDN, Highmark projects that the healthcare costs will continue to grow at approximately 6% per year, the rate at which they have grown over the last five (5) years. While this trend will result in healthcare becoming unaffordable for many individuals, it will also place significant pressure on employers, particularly those in self-funded groups. Employers in the community will benefit from the affiliation from lower healthcare costs, a higher standard of care and fewer employee absences.

Other Regions. Regions proximate to Pittsburgh will benefit from the cost-efficient care at WPAHS facilities. Assuming that the insurance market is competitive and insurance companies can compete to attract and retain subscribers, completing the IDN will ensure that Highmark's core health services markets thrive and that policyholders and subscribers in other areas will continue to receive the high levels of service, access at affordable premiums and community participation that are Highmark's

hallmarks. Additionally, the knowledge, innovations and new technology gained through the development of the IDN will be leveraged across all other regions in which Highmark operates.

Community Programs. Highmark is driven by a mission to be the leading health and wellness company in the communities it serves and a vision for all members of the community to have access to affordable, quality health care. The company's commitment to its mission and vision has been among its highest priorities. WPAHS's mission is to practice medicine, educate and conduct research as an integrated team of physicians, nurses and support professionals who are committed to improving the health of its patients. Its defined purpose is to improve the health of the people in the western Pennsylvania region. If the affiliation is approved, it will allow Highmark and the hospital systems with which it is affiliated to combine their community efforts to provide an even greater impact on western Pennsylvanians. If the affiliation is not approved, many of the community programs that WPAHS and others historically provided and that the community has come to rely upon may not be offered.

Helping to build stronger communities of healthier people has been the cornerstone of the missions of Highmark, WPAHS, JRMC and SVHS/SVHC since their respective inceptions. For many years, these organizations have made substantial community contributions through the provision of free and reduced-cost health care and financial support of health-related programs. Since its inception, Highmark and its subsidiaries and affiliates have partnered with countless schools, businesses and charitable organizations to provide access to affordable, quality health care and to inspire healthy living in the communities they serve.

In 2011, Highmark and its subsidiaries and affiliates contributed \$174 million for community-related activities, including support for programs to help hold down the cost or expand access to individual health insurance programs for lower-income families and older adults. Highmark companies also provided grants to, and worked collaboratively with, many health and human services programs in central and western Pennsylvania, West Virginia and Delaware to help address a variety of community health needs, including health, dental and vision screenings, childhood nutrition and bullying prevention, community rural health, senior wellness education and immunizations for seniors. In 2011, the WPAHS and its subsidiaries and affiliates provided \$68 million in community benefit services and nearly \$66.7 million in uncompensated patient care to the western Pennsylvania community. Both Highmark and WPAHS are unwavering in their commitment to their charitable and community activities. Both organizations intend to maintain their respective commitments to

providing funding, supporting and inspiring good health in their shared local community, and the IDN is critical to enabling them to do so.

HIGHMARK IS THE BEST PARTNER FOR WPAHS

Highmark believes that it is the only partner that can intervene in a way that preserves the value of WPAHS for today and transforms it as necessary for future healthcare. Given the size of the funding commitment Highmark is making to WPAHS as part of the affiliation and WPAHS's history, Highmark also believes the only prudent and efficient way for it to proceed is with a direct affiliation.

Highmark has the tools necessary to ensure a robust turnaround for WPAHS without resorting to reimbursement increases (e.g., ability to realign reimbursement incentives, align independent physicians, and deploy shared service platforms). WPAHS has asserted its willingness to engage in Highmark's new approach to reimbursement, consumer engagement, choice and transparency. A direct affiliation reduces traditional barriers to speedy and effective implementation of these changes.

Highmark believes that other partnership options would irreparably damage WPAHS's ability to serve as an anchor in the transformation of the healthcare system, or would create delays that the system cannot afford. Highmark believes that ongoing uncertainty as to the extent and timing of a WPAHS turnaround will only amplify the crisis of confidence among WPAHS stakeholders and make decisive action by WPAHS management more difficult.

At a basic level, in order to restore financial and strategic health, WPAHS needs to both increase its overall revenue and reposition its cost structure. In pursuit of the former, WPAHS could seek (as do many providers in financial distress) to increase its commercial reimbursements from the insurers in the market. Highmark believes, however, that this course would not be in the best interest of Highmark's policyholders and subscribers-or the community at large. No other hospital system or partner can bring the same benefits to WPAHS. By including WPAHS as a significant part of a redesigned, high-value network, Highmark can increase the strategic relevance of WPAHS to physicians and other provider partners in the market.

From a cost perspective, Highmark's ability to realign incentives provides WPAHS with the necessary impetus and incentive to engage employed, affiliated and independent physicians to reduce unnecessary utilization and eliminate clinical waste. No other partner can offer this capability to

WPAHS. Highmark's scale also allows it to invest across the market in the shared service platforms that will have the effect of assisting WPAHS in reducing its costs and increasing the promotion of evidence-based care. Highmark is unique in its ability to offer a comprehensive solution that links WPAHS with independent physicians and providers in this manner. As affiliated entities, Highmark and WPAHS will be more attractive to other world-class clinical partners who could bring other benefits to the system.

As part of its strategy, Highmark will include WPAHS in its initiatives with other providers across the market to promote lower cost, high-value outpatient care facilities and alignment with physicians in outreach and recruitment. As a part of the Highmark network, WPAHS will not be required to make duplicative capital investments to obtain this return. Highmark's ability to convene other parties in its network is a unique ability that only Highmark can offer WPAHS and a critical one for rebuilding the relationships necessary to increase volume.

Highmark was and is able to provide funding to WPAHS on a timely basis, allowing positive change to occur sooner. This sets Highmark apart as a partner to WPAHS and provides value (economic and strategic) to permanently reset the performance level. Without the benefits only it can offer, Highmark believes WPAHS will be forced to consolidate or close parts of its system which would limit its value to Highmark policyholders/subscribers and community members and as a viable provider of choice in the community.

For Profit Buyers. As WPAHS is a troubled asset, other entities would need to realize an increase in revenues and cost reductions to make the transaction viable. Like UPMC, other potential partners will seek increased reimbursements to improve the financial state of WPAHS. It is unlikely that other entities would be focused on reducing care costs in the region. This would drive Highmark costs up and, as a result, increase commercial premiums. Unless WPAHS partners with another large payor organization, it will be unable to link product design and reimbursement strategies to drive value. In addition, for profit organizations will not share or be committed to the social and charitable mission of the WPAHS organization.

Time Sensitivity. WPAHS's financial state continues to suffer and the assets continue to deteriorate. It is uncertain how long it would take to identify and come to agreement with another potential partner. The confidence of physicians and key personnel will be eroded further and cause a migration of key assets to other more stable health systems. In 2002, Saint Francis Health system, at the time

the largest hospital in Pittsburgh, was experiencing similar financial difficulties. When its attempts to solicit another Catholic partner failed, it hired consultants to help identify partners. UPMC was reportedly the only bidder for the organization. UPMC's proposal included shutting down the Lawrenceville, PA facility, maintaining and operating a facility in Cranberry, PA, and selling off the New Castle, PA facility to Jameson, which Highmark helped to finance. In 2005, Mercy Hospital was also reported to have experienced difficulty in identifying other partners beyond UPMC. The financial condition of the WPAHS requires an immediate solution that will also provide for the long-term vitality of the health system.

Joint Venture Options. At this time, Highmark believes that a joint venture with another organization and WPAHS will not help to support the efforts to reduce healthcare costs in the region. Without reducing costs, the health system will continue to suffer financially, and joint venture partners will seek to increase reimbursements, thus driving up premium rates and having a negative impact on Highmark's policyholders. Finding interested parties may also require a timeline that would not support maintaining WPAHS's financial viability. This does not preclude potential options to joint venture with other parties in the future once the health system is stabilized.

There are a number of considerations when exploring the options for investors and partners for WPAHS. Many of these options would have a negative impact to the system's immediate financial needs while, at the same time, would limit the ability to reduce the cost of care in the region. Absent a strategic relationship with Highmark, including integration with the IDN and innovative reimbursement strategies, most other partners will seek to increase revenues of the system by raising reimbursement amounts, which is not in the best interest of the healthcare market in western Pennsylvania.

FINANCIAL PROJECTIONS

As a supplement to its Amendment No. 1 to Form A, UPE provided the Department with certain confidential information reflecting the projected financial performance of UPE, Highmark, UPE Provider Sub and their subsidiaries and affiliates. The following is a summary of the assumptions and considerations that were factored into the projections, as well as a summary of the conclusions. Summary financial projections for UPE, UPE Provider Sub and Highmark are provided at Exhibit A.

Assumptions and Considerations. Several major assumptions and considerations are reflected in the financial projections:

- Highmark and WPAHS execute an amended affiliation agreement, as described to the Department in Amendment No. 2 to Form A dated January 18, 2013. The projections incorporate the agreed upon terms of the proposed agreement, and assumptions regarding the bond tender and related Highmark financing, all of which are described earlier within this document.
- Highmark's contracting position with UPMC – The contract extension between Highmark and UPMC requires Highmark to pay higher contracting rates than it had been paying in order to secure in-network access to UPMC facilities and UPMC physicians through December 2014. Although Highmark intends to continue to pursue a longer term agreement with UPMC, UPMC has publicly stated that it does not intend to renew the contracts. Accordingly, the projections assume that UPMC will not renew the contracts, and access to certain UPMC facilities will be terminated, effective December 31, 2014.
- The cost of the IDN strategy to Highmark – Highmark's assumed total investment in the IDN strategy is currently expected to be approximately \$1 billion. Specifically, it is assumed that Highmark closes on the proposed affiliations with WPAHS, JRMC and SVHS/SVHC.
- The turnaround of WPAHS – Highmark engaged Grant Thornton LLP (GT) to complete financial projections for WPAHS. These projections, which are discussed in more detail in Exhibit D, have been revised since those presented in the July 2012 filing with the Department and take into account the proposed amended affiliation agreement between Highmark and WPAHS, including related financial details, as explained earlier.
- Health care reform is implemented and healthcare exchanges are implemented in 2014.

Highmark estimates the implementation of the IDN strategy will be approximately \$1 billion. The table below sets forth the currently anticipated allocation of expenditures by purpose. (Note: precise allocations are subject to change over time as developments warrant.)

PURPOSE	ESTIMATED EXPENDITURE (dollars in millions)
WPAHS	\$475
JRMC / SVHS	\$155
Expansion of Provider Network - Physicians, community hospitals and ambulatory care facilities	\$344
Infrastructure development - MSO, GPO	\$26
TOTAL	\$1,000

To date, Highmark has expended or committed to expend approximately \$907 million of the amount it anticipates to spend on the IDN strategy, \$311 million of which has been spent. With the exception of the \$275 million of the remaining commitment under the existing WPAHS Affiliation Agreement, none of the expenditures or commitments are contingent upon approval of the Form A filing by the Department.

The financial projections further assume the corporate structure outlined in the Amendment No. 1 to Form A in July 2012. The projections assume that UPE and UPE Provider Sub will become operational on January 31, 2013 with the closing of the affiliation with JRMC. Upon closing of the affiliation with WPAHS, which is assumed to be April 30, 2013, all provider activity that was initiated at Highmark will be transferred to UPE Provider Sub. Highmark also will contribute to UPE the portion of the IDN investment that is to be made directly by UPE or UPE Provider Sub. This amount is estimated at \$94 million. The projections for 2012 through 2016 for UPE, Highmark and UPE Provider Sub are provided in Exhibit A.

The financial conclusions of the projections are as follows:

- UPE – 2013 results for UPE reflect only a partial year of control related to all entities, including Highmark, and as such do not reflect a full year of operations. UPE is projected to break-even in 2013, due to costs associated with implementation of the IDN strategy and projected losses at WPAHS. The projections for 2014 through 2016 reflect positive net income that increases over time due in part to the anticipated turnaround of WPAHS and the further development of assets

that are part of the IDN strategy. By 2016, UPE is projected to generate nearly \$660 million in operating gain, or 3.3% of revenue.

- **Highmark** – The projected net income of \$106 million in 2013 is significantly impacted by investments in the provider strategy. The projected net income for 2014 through 2016 returns to a net income margin that approximates 2%. The projections through 2016 indicate that net income is sufficient to keep Highmark’s risk-based capital, a measure utilized by regulators to monitor the financial health of an insurance company, in the range deemed sufficient by the Department, which is 550-750%. Highmark will remain a financially strong company subsequent to the implementation of the IDN strategy. Management completed stress testing on Highmark’s financial results, assuming various negative factors, and determined that, in these cases, Highmark’s financial strength would continue to remain in the sufficient range defined by the Department.
- **UPE Provider Sub** – UPE Provider Sub is projected to incur a net loss in 2013, primarily as a result of continued losses at WPAHS and provider activities initiated at Highmark that are not yet mature. The projections reflect improvement in 2014 through 2016, as the WPAHS results improve and the IDN capitalizes on the synergies available to an entity of this depth and size.

SUMMARY AND CONCLUSION

Without a Highmark-WPAHS affiliation and a fully developed IDN, choice in the provider market will be limited. The provider market will be dominated by one large provider, UPMC, which will continue to expand and will be unchecked in its ability to set the price for access to its network. Highmark's weakened competitive position, reduced enrollment and inability to create a differentiated, value oriented product will adversely impact healthcare consumers' ability to make value conscious decisions and to mitigate UPMC's higher costs. The price of Highmark's products will be driven upward by contract increases with limited opportunity to achieve the savings that are projected through an affiliation with WPAHS and a more robust provider network.

The IDN will represent the coming together of multiple organizations dedicated to common goals and objectives, including changing the way in which health care is financed and delivered to their policyholders, subscribers and patients. The participants are committed to improving the quality and affordability of health care and enhancing the patient experience through collaborative relationships

with physicians and operational excellence. Highmark believes that the IDN will result in a stable integrated health system which will be a valuable community asset offering high quality, lower cost health services across the continuum of care. As part of the IDN, WPAHS will provide an alternative for community providers with respect to quaternary and tertiary care.

Highmark is convinced that the IDN will provide the fastest and most efficient structure for bringing value to its policyholders, subscribers and the community at large. Moreover, the IDN will ensure that the funds Highmark provides are utilized in a manner that is consistent with its mission, its vision and its values.

By building a network committed to the principles of affordable and accessible care, and the changes in clinical practice, reimbursement, and structural alignment that are required to deliver that care, Highmark believes it can ensure that its current policyholders and subscribers avoid the cycle of unsustainable and increasing premiums for undifferentiated quality. Highmark projects those policyholders and subscribers will not only get lower cost products, but also the security that a robust provider alternative exists for the future. This will ensure that the basic dynamics of market competition will help manage the system better. Policyholders and subscribers in the southwestern Pennsylvania region will have access to care in all areas and services, a situation that is currently at risk. The community will retain WPAHS as a nonprofit community asset, committed to investing in the community and serving its nonprofit mission. Finally, the IDN ensures that the participants will work together in a way that produces a model for how healthcare delivery and financing will work successfully in the future.

EXHIBIT A

Below is a summary of the process and the related assumptions that were utilized to prepare revised projections related to WPAHS.

The revised projections are based on WPAHS's (sometimes herein, the System) and Highmark's collective development of an integrated delivery network to reduce the trend in the increase in the cost of healthcare in Southwestern Pennsylvania and reflect:

- The continuation of Highmark's provider contracts with certain UPMC hospitals and UPMC physicians through December 31, 2014;
- Highmark's ongoing affiliation efforts with physicians in Southwestern Pennsylvania;
- The reopening of West Penn Hospital's Emergency Department and other services
- New Highmark products;
- Productivity improvement and collaboration in the physician organizations; and
- Other initiatives and external factors.

Projections of Patient Volume and Related Revenue

Future patient volumes and revenue were projected based on historical patient volume and revenue and the estimated impact of the initiatives and external factors, including:

- i. **Physician Alignment** – Highmark has undertaken a multi-year plan to develop affiliations with a wide range of physicians across various specialties. This strategic alignment is expected to supplement the System's physician organization and bring expanded service offerings that drive financial growth at WPAHS.

Patient volumes were estimated based on an assessment of the likelihood of recruiting specific physicians identified in the recruiting pipeline and recruiting plan. An analysis of publicly available data was used to estimate the referrals to the system related to recruited physicians. This analysis was extended to encompass additional expected future recruitment and hiring.

- ii. **Physician Organization (PO)** – The turnaround strategies for WPAHS have identified the WPAHS PO as a focus area. There are efforts underway to recruit additional physicians and improve the productivity of the existing physicians, both of which are expected to increase the volume within WPAHS. Improved management of the PO and investments in additional personnel and systems to improve internal communications and facility utilization are expected to improve collaboration and increase productivity.

Historical data and industry benchmarks were used to estimate the potential increase in patient volumes from these efforts.

- iii. **West Penn Reopening** – The Emergency Department of West Penn Hospital was reopened in February 2012 and other services are expected to return to West Penn Hospital within the next year. The estimated patient volumes from the reopening of the Emergency Department and other services were projected based on historical information.
- iv. **Highmark Product Changes** – Anticipated volume changes associated with the introduction of new insurance products were incorporated into the projections. As was noted above, the projections assume that UPMC will not renew its contracts with Highmark and access to certain UPMC facilities will be terminated effective December 31, 2014. Additional volume was incorporated into the projections due to these UPMC facilities being out of Highmark's network at that time.

- v. **Other Initiatives and Environmental Factors** – Other factors which are expected to have an effect on volumes also were identified and analyzed. These include changing demographics in the relevant market and the effectiveness of the IDN in changing care patterns, both of which are projected to have a negative effect on the volume at WPAHS.
- vi. **Increased Competition** – The projected negative effects of actions by competitors on patient volume also were considered and estimated.

Outpatient volumes were projected using the historical relationships of outpatient registrations to inpatient discharges for each hospital.

In order to estimate the effect on revenue of projected patient volumes, publicly available data and data provided by WPAHS were reviewed for certain key components of revenue. These key components greatly influence how projected patient volume is converted into revenue. Among the key components were:

- i. **Payor Mix** – Reimbursement rates for services performed vary based on whether the payor is Medicare, Medicaid, commercial insurance providers, Medicare managed care providers, Medicaid managed care providers or the patient. The payor mix is affected by many factors including demographics, regulation, and hospital or System initiatives. The historical payor mix was reviewed, as were estimated changes to the mix based on certain known or expected changes.
- ii. **Reimbursement Rates** – For each class of payor, historical and anticipated rate changes were used to project reimbursement rates for the projection period (note that changes in government reimbursement, such as for Medicare and Medicaid, could differ materially from the assumed changes).
- iii. **Case Mix Index (CMI)** – CMI is a commonly used industry metric which is used to assess the severity, acuity, and/or complexity of patient volume at a hospital. In general, the higher the CMI, the greater the reimbursement rates and related revenue received for providing care and the greater the cost to serve the patient. Historical CMI data for each hospital was analyzed to estimate the effect of anticipated volume changes on CMI. Generally, CMI is projected to increase over time, as less acute patients are managed outside of the hospital setting, resulting in a higher average acuity within the hospital.

Projected net patient service revenue was estimated by applying the expected payor mix, reimbursement rates and CMI to the projected inpatient and outpatient volume levels.

Other revenues related to certain governmental programs including DSH payments were also included in the revenue projections.

Projected Costs

An analysis was performed on the main drivers and components of historical costs, cost savings already achieved, and additional potential cost savings. Among the key components analyzed were:

- i. **Salaries, wages, and fringe benefits** – The historical salaries and benefits for each hospital or other business unit were analyzed to estimate the cost to provide care and related support services for the projected patient volumes.
- ii. **Supplies/Drug Cost** – WPAHS and Highmark have worked together to institute a new purchasing program for supplies and drugs. It is anticipated that this new purchasing program, along with an

increased management focus on costs, will result in near-term cost savings which will be magnified further as volume increases. The potential savings from these efforts are reflected in the projections.

- iii. **Case Mix Index** – As described previously, changes to CMI based on the volume initiatives were estimated. The estimated CMI was used as a component to derive the cost to deliver care.
- iv. **Average Length of Stay** – One of the primary metrics used to derive the cost of inpatient care is the average length of stay for patients who are admitted to hospitals in the System. The impact of the previously described patient volume initiatives on average length of stay was estimated and incorporated in the projections. Average length of stay is generally expected to increase slightly over the projection period.
- v. **Fixed and Variable Costs** – The fixed and variable components of the System's cost structure for each of the main cost drivers, such as salaries and supplies for each hospital and business unit including support services, were estimated. Fixed costs were increased for expected inflation during the projection period. Variable costs were projected based on incremental patient volumes and increased for expected inflation.
- vi. **Depreciation and Amortization of Fixed Assets** – The System plans to make significant capital investments in infrastructure and technology. This investment is expected to increase capacity and improve efficiency, communication and collaboration throughout the System. Projected capital expenditures include both specifically-identified investments and, in later years, estimates of expenditures. Depreciation and amortization are based on historical information, projected capital expenditures and estimated future asset lives.
- vii. **Interest Expense** – Interest expense was projected based on WPAHS's historical and projected debt levels, including existing and planned future loans from Highmark as appropriate.

Financing

Highmark, WPAHS and certain holders of the System's bonds have agreed to a restructuring plan which is expected to be effectuated in April 2013. Key financing elements are described in the Supplemented Overview of Highmark's Strategic Vision, Tab E to Amendment No. 2 to Form A, and include additional Highmark loans and grants and the purchase of a portion of the outstanding WPAHS bonds by Highmark. Additionally, it should be noted that the projections assume that subsequent to close of the affiliation with Highmark, the principal and interest payments on the ACHDA Revenue Bonds held by Highmark will be deferred until July 1, 2015. It is assumed that there will be a new tax-exempt facility/security issued in July of 2015 to refinance the 2007 Bonds. WPAHS is not projected to require any additional cash needs.

Summary

WPAHS is projected to continue to experience operating losses in fiscal year 2013. The System is projected to produce net income and have positive operating cash flow by fiscal year 2015.

UPE
Combined Balance Sheets
Internal Unaudited Projections
(In Millions)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Cash and Investments	\$ -	\$ 7,230.2	\$ 7,533.1	\$ 7,941.8	\$ 8,478.0
Accounts Receivable	-	2,457.7	2,480.2	2,338.4	2,579.3
Property and Equipment, net	-	1,462.9	1,569.5	1,511.2	1,477.7
Goodwill and Other Intangibles	-	1,178.7	1,170.5	1,162.4	1,159.2
Other Assets	-	986.7	1,025.5	1,039.0	1,047.0
TOTAL ASSETS	\$ -	\$ 13,316.2	\$ 13,778.8	\$ 13,992.8	\$ 14,741.2
Claims Outstanding	-	2,525.6	2,572.6	2,441.6	2,649.4
Unearned Revenue	-	399.1	421.2	418.6	439.2
Other Payables and Accrued Expenses	-	2,249.5	2,268.3	2,314.9	2,343.6
Benefit Plan Liabilities	-	554.1	549.6	563.4	562.9
Debt	-	1,841.8	1,872.7	1,622.2	1,585.5
TOTAL LIABILITIES	-	7,570.1	7,684.4	7,360.7	7,580.6
TOTAL RESERVES	-	5,746.1	6,094.4	6,632.1	7,160.6
TOTAL LIABILITIES AND RESERVES	\$ -	\$ 13,316.2	\$ 13,778.8	\$ 13,992.8	\$ 14,741.2

UPE
Combined Income Statements
Internal Unaudited Projections
(In Millions)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Revenue	-	\$ 11,723.2	\$ 18,803.7	\$ 19,021.6	\$ 20,063.3
Total Expenses	-	11,656.5	18,304.1	18,318.2	19,342.8
Income Before Income Taxes	-	66.7	499.6	703.4	720.5
Income Tax Provision	-	67.7	162.4	182.1	200.9
Net Income (Loss)	\$ -	\$ (1.0)	\$ 337.2	\$ 521.3	\$ 519.6

Statements do not include fair value accounting in conjunction with the affiliation with WPAHS, JRMC or SVHS.

Highmark Inc.
Combined Balance Sheets
Internal Unaudited Projections
(In Millions)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Cash and Investments	\$ 6,853.8	\$ 7,226.2	\$ 7,458.3	\$ 7,252.4	\$ 7,658.6
Accounts Receivable	2,307.7	2,302.6	2,304.1	2,140.8	2,369.9
Property and Equipment, net	625.5	557.3	625.9	573.0	553.3
Goodwill and Other Intangibles	903.7	838.1	833.3	828.4	828.4
Other Assets	675.1	808.6	834.7	837.7	840.2
TOTAL ASSETS	\$ 11,365.8	\$ 11,732.8	\$ 12,056.3	\$ 11,632.3	\$ 12,250.4
Claims Outstanding	\$ 2,234.7	\$ 2,585.5	\$ 2,643.6	\$ 2,525.6	\$ 2,741.1
Unearned Revenue	298.3	346.4	367.9	365.3	385.9
Other Payables and Accrued Expenses	2,002.7	1,841.4	1,820.3	1,831.0	1,838.5
Benefit Plan Liabilities	268.6	193.9	207.8	221.7	221.7
Debt	1,117.7	1,322.0	1,253.5	599.0	599.0
TOTAL LIABILITIES	5,922.0	6,289.2	6,293.1	5,542.6	5,786.2
TOTAL RESERVES	5,443.8	5,443.6	5,763.2	6,089.7	6,464.2
TOTAL LIABILITIES AND RESERVES	\$ 11,365.8	\$ 11,732.8	\$ 12,056.3	\$ 11,632.3	\$ 12,250.4

Highmark Inc.
Combined Income Statements
Internal Unaudited Projections
(In Millions)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Revenue	\$ 15,301.7	\$ 15,811.2	\$ 16,895.5	\$ 16,805.2	\$ 17,777.0
Total Expenses	14,755.6	15,577.0	16,398.7	16,292.4	17,193.8
Income Before Income Taxes	546.1	234.2	496.8	512.8	583.2
Income Tax Provision	133.5	128.1	162.6	177.3	193.1
Net Income	\$ 412.6	\$ 106.1	\$ 334.2	\$ 335.5	\$ 390.1

**UPE Provider Sub
Consolidated Balance Sheets
Internal Unaudited Projections
(In Millions)**

	2012	2013	2014	2015	2016
Cash and Investments	\$ -	\$ 901.9	\$ 988.4	\$ 1,100.9	\$ 1,224.5
Accounts Receivable	-	215.0	247.1	281.6	301.1
Property and Equipment, net	-	905.6	943.6	938.2	924.4
Goodwill and Other Intangibles	-	340.6	337.2	334.0	330.8
Other Assets	-	178.1	190.8	201.3	206.8
TOTAL ASSETS	\$ -	\$ 2,541.2	\$ 2,707.1	\$ 2,856.0	\$ 2,987.6
Unearned Revenue	-	52.7	53.3	53.3	53.3
Other Payables and Accrued Expenses	-	408.1	448.0	483.9	505.1
Benefit Plan Liabilities	-	360.2	341.8	341.7	341.2
Debt	-	1,418.7	1,533.8	1,435.7	1,392.6
TOTAL LIABILITIES	-	2,239.7	2,376.9	2,314.6	2,292.2
TOTAL RESERVES	-	301.5	330.2	541.4	695.4
TOTAL LIABILITIES AND RESERVES	\$ -	\$ 2,541.2	\$ 2,707.1	\$ 2,856.0	\$ 2,987.6

**UPE Provider Sub
Consolidated Income Statements
Internal Unaudited Projections
(In Millions)**

	2012	2013	2014	2015	2016
Total Revenue	\$ -	\$ 1,627.5	\$ 2,680.3	\$ 3,148.3	\$ 3,297.7
Total Expenses	-	1,688.6	2,677.5	2,957.7	3,160.4
Income (Loss) Before Income Taxes	-	(61.1)	2.8	190.6	137.3
Income Tax Provision (Benefit)	-	(2.2)	(0.2)	4.8	7.8
Net Income (Loss)	\$ -	\$ (58.9)	\$ 3.0	\$ 185.8	\$ 129.5

Statements do not include fair value accounting in conjunction with the affiliation with WPAHS, JRMC and SVHS.

TAB H

AMENDED AND RESTATED BYLAWS

OF

[ULTIMATE PARENT ENTITY]

(Adopted [])

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I Name.....	1
1.1 Name.....	1
ARTICLE II Offices.....	1
2.1 Registered Office.....	1
2.2 Business Offices.....	1
ARTICLE III Purpose.....	1
3.1 Purpose.....	1
ARTICLE IV Board of Directors.....	2
4.1 Powers and Duties.....	2
4.2 Number/Qualifications.....	2
4.3 Election and Term.....	3
4.4 Vacancies.....	4
4.5 Meetings.....	4
4.6 Resignation/Removal.....	5
4.7 Limitation of Liability.....	5
4.8 Compensation.....	5
ARTICLE V Officers.....	6
5.1 Officers; Election.....	6
5.2 Responsibilities of Officers.....	6
5.3 Removal of Officers.....	7
5.4 Bonds.....	7
ARTICLE VI Committees.....	7
6.1 Committees.....	7
6.2 Term.....	8
6.3 Quorum and Action.....	8
6.4 Action by Unanimous Written Consent.....	8
6.5 Removal.....	8
6.6 Vacancies.....	8
6.7 Exclusions from Committee Membership.....	8
6.8 Corporate Governance and Nominating Committee.....	9
6.9 Audit Committee.....	9
6.10 Personnel and Compensation Committee.....	10
ARTICLE VII Indemnification of Directors, Officers and Others.....	10
7.1 Right to Indemnification - General.....	10
7.2 Right to Indemnification - Third Party Actions.....	10
7.3 Right to Indemnification - Derivative Actions.....	11

7.4	Advance of Expenses	11
7.5	Procedure for Effecting Indemnification	11
7.6	Indemnification Not Exclusive	12
7.7	When Indemnification Not Made	12
7.8	Grounds for Indemnification.....	12
7.9	Power to Purchase Insurance	12
7.10	Creation of a Fund to Secure or Insure Indemnification.....	12
7.11	Status of Rights of Indemnities.....	12
7.12	Applicability to Predecessor Companies	13
ARTICLE VIII Contracts, Loans, Checks and Deposits		13
8.1	Contracts	13
8.2	Loans.....	13
8.3	Checks.....	13
8.4	Deposits.....	13
ARTICLE IX Notice and Conduct of Meetings		13
9.1	Written Notice.....	13
9.2	Written Waiver of Notice.....	14
9.3	Waiver of Notice by Attendance.....	14
9.4	Procedure	14
ARTICLE X Miscellaneous.....		14
10.1	No Contract Rights	14
10.2	Corporate Seal.....	14
10.3	Fiscal Year	14
ARTICLE XI Amendments		14
11.1	Amendments	14
ARTICLE XII Conflicts of Interest		14
12.1	Disclosure	14
12.2	Recusal and Investigation	15
12.3	Failure to Disclose	15
12.4	Record of Actions	15
12.5	Compensation	16
12.6	Annual Statements	16

ARTICLE I

NAME

1.1 Name. The name of the corporation is [*Ultimate Parent Entity*] (the "Corporation"). The Corporation may do business under such other names as may be determined by the Board of Directors.

ARTICLE II

OFFICES

2.1 Registered Office. The registered office of the Corporation shall at all times be within the Commonwealth of Pennsylvania at such address as may be established by the Board of Directors.

2.2 Business Offices. The Corporation may have offices at such places permitted by law as the business of the Corporation may require.

ARTICLE III

PURPOSE

3.1 Purpose. The Corporation is organized under the Pennsylvania Nonprofit Corporation Law (the "Nonprofit Corporation Law") for scientific, educational and charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and to promote, support, and further the scientific, educational and charitable purposes and interests of West Penn Allegheny Health System, Inc., Canonsburg General Hospital, Alle-Kiski Medical Center, Jefferson Regional Medical Center, and [Saint Vincent Health Center], organizations exempt from taxation under Section 501(c) (3) of the Code and classified as other than private foundations under Section 509(a)(1) or 509(a)(2) of the Code, and affiliated exempt entities, the purposes of which are consistent with those of the Corporation (collectively the "Hospitals"). In this capacity the Corporation is further organized:

(a) To establish, maintain, sponsor, and promote activities relating to the improvement of human health and the provision of care to the sick, injured or disabled;

(b) To establish, maintain, sponsor and promote education and research programs relating to the promotion of health and the provision of care to the sick, injured or disabled;

(c) To coordinate, sponsor, promote and advance programs and activities designed and carried on to improve the physical, psychological, and emotional health and welfare of persons living in and around the territory which it serves;

(d) To evaluate, develop and implement long-range health care objectives, strategies, plans and alternative health care delivery systems, in furtherance of the

purposes of the Corporation and the purposes of those nonprofit health care organizations which the Corporation was organized to support;

(e) To develop, organize, promote and conduct fund raising activities to further the charitable purposes and interests of the Corporation, as well as those of the nonprofit health care organizations which the Corporation was organized to support;

(f) to carry out such other acts and to undertake such other activities as may be necessary, appropriate or desirable in furtherance of or in connection with the conduct, promotion or attainment of the foregoing purposes, provided, that none of such activities shall be undertaken which would cause the Corporation to lose its status as an organization described in Section 501(c)(3) of the Code, or as an organization contributions to which are deductible under Section 170(c)(2) of the Code; and

(g) To otherwise operate exclusively for charitable, scientific or educational purposes within the meaning of Section 501(c)(3) of the Code.

ARTICLE IV

BOARD OF DIRECTORS

4.1 Powers and Duties. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. Without limiting the generality of the foregoing and except as otherwise may be provided in these Bylaws, the Board of Directors shall have full power and the duty:

(a) To set policies and provide for carrying out the purposes of the Corporation;

(b) To make rules and regulations for its own governance and for the governance of the committees appointed by the Board of Directors as provided herein; and

(c) To adopt and amend from time to time such rules and regulations for the conduct of the business of the Corporation as may be appropriate or desirable.

4.2 Number/Qualifications.

(a) Composition. The Board of Directors shall consist of such number of persons as the Board of Directors may determine, but in no case less than three, including the individual then serving as the Chief Executive Officer of the Corporation, who shall be a director during his or her term of office (the "Ex-Officio Director").

(b) Certain Qualifications. No individual may be elected to the Board of Directors unless the individual is eligible to serve on the Board of Directors pursuant to applicable law, the Articles of Incorporation and these Bylaws. Each director shall be a natural person of at least 18 years of age.

(c) Classes. The directors shall be divided equally into three (3) classes so that one-third (1/3) of the aggregate number of directors (or as close as practicable to one-third depending on the aggregate number of Directors) may be chosen each year.

(d) Independence. At least a majority of the directors shall be persons whom the Board of Directors has determined are “independent directors” within the meaning of such term as defined by the Internal Revenue Service for exempt organizations under Section 501(c)(3) of the Code, and as such are broadly representative of the community. No director, other than the Ex-Officio Director, shall be an employee of the Corporation or any entity controlled by the Corporation.

(e) Common Directors with Hospitals. The members of the Board of Directors must include at least one person who is also serving as a member of the board of directors of each Hospital. The same member of the Board of Directors need not be serving on all such Hospital boards.

(f) SEC Actions. Any person who is, or ever has been, subject to an order of a court or the Securities and Exchange Commission prohibiting such person from acting as an officer or director of a public company shall not be eligible to serve as a director.

(g) Age Limitations. No person who is seventy-five (75) years of age or older may be nominated or re-nominated for election or re-election as a director. Any director who reaches the age of seventy-five (75) shall no longer be qualified to serve as a director after the next annual meeting of the Board of Directors.

4.3 Election and Term.

(a) Ex-Officio Director. The Ex-Officio Director shall serve as a director by virtue of the office held. Except as provided in Section 4.4, the remaining directors shall be elected by the directors at the annual meetings of the Board of Directors.

(b) Term. The initial Board of Directors elected by the Incorporator of the Corporation shall be divided, as evenly as practicable, into three classes and shall serve staggered terms. Allocation of initial terms among directors for one, two or three-year terms shall be made by the Incorporator. At the end of their respective initial terms, all directors, except the Ex-Officio Director, shall serve for terms of three (3) years or until their successors are elected and have qualified. The Ex-Officio Director shall serve as a director for so long as such person serves as the Chief Executive Officer of the Corporation.

(c) Chairperson. The Board of Directors shall elect from among the directors an individual to serve as Chairperson of the Board. The Chairperson shall not be an employee of the Corporation. The Chairperson shall preside at all meetings of the Board of Directors and shall perform all duties incident to the office of Chairperson of the Board and such other duties as may be prescribed by the Board of Directors.

(d) Vice Chairperson. The Board of Directors may elect from among the directors a Vice Chairperson of the Board. The Vice Chairperson shall not be an employee of the Corporation. The Vice Chairperson shall perform the duties of the office of Chairperson of the

Board in the absence of the Chairperson of the Board and such other duties as may be prescribed by the Board of Directors.

4.4 Vacancies. Any vacancy in the Board of Directors caused by the death, resignation or removal of a director or a director ceasing to qualify to serve as a director prior to the expiration of that director's term and occurring in the interim between annual meetings of the Board of Directors shall be filled by an individual elected by the Board of Directors. The director so elected shall serve the remaining unexpired term of the director so replaced.

4.5 Meetings.

(a) Annual Meetings. The annual organizational meeting of the Board of Directors for, among other purposes, the election of directors and officers shall be held on such date as the Board of Directors may determine, at such time and place as shall be determined by the Board of Directors, without further notice than the resolution setting such date, time and place.

(b) Regular Meetings. Regular meetings of the Board of Directors shall be held not less than four (4) times a year, each at such date, time and place as shall be determined by the Board of Directors, without further notice than the resolution setting such date, time and place.

(c) Special Meetings. Special meetings of the Board of Directors may be called at any time by the Chairperson of the Board, the Chief Executive Officer or one-third (1/3) of the members of the Board of Directors, the date, time and place of each such meeting to be designated in the notice calling the meeting. Notice of any special meeting of the Board of Directors shall be given at least forty-eight (48) hours prior thereto and shall state the general nature of the business to be transacted.

(d) Adjournment. When a meeting of the Board of Directors is adjourned, it shall not be necessary to give any notice of the adjourned meeting or the business to be transacted at the adjourned meeting other than by announcement at the meeting at which such adjournment is taken.

(e) Quorum. Directors constituting a majority of the directors in office shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

(f) Voting and Action. Each director shall be entitled to one vote on any matter submitted to a vote of the Board of Directors, and action by the Board of Directors on any matter shall require the affirmative vote of a majority of the directors in office unless a greater proportion of affirmative votes is required by applicable law, the Articles of Incorporation or these Bylaws.

(g) Use of Conference Telephone. Except as the Board of Directors otherwise may determine, one or more persons may participate in a meeting of the Board of Directors or of any committee thereof by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear and be heard by each other. Participation in a meeting in such manner shall constitute presence in person at the meeting.

(h) Action by Unanimous Written Consent. Any action which may be taken at a meeting of the Board of Directors may be taken without a meeting if a consent or consents in writing setting forth the action so taken shall be signed by all of the directors in office and filed with the Secretary.

4.6 Resignation/Removal.

(a) Resignation. Any director may resign his or her office at any time, such resignation to be made in writing and to take effect immediately or at such subsequent time stated in such writing. Any director who ceases to meet the eligibility requirements contained in applicable law or in these Bylaws to serve as a director forthwith shall resign his or her office, such resignation to be made in writing and to take effect immediately.

(b) Removal. Any director may be removed, with or without cause, only by the affirmative vote of at least two-thirds (2/3) of the directors in office taken at any regular or special meeting, provided that each director has been given at least ten (10) days written notice that such action is to be considered at such meeting.

(c) Effect of Repeated Absences from Meetings. If a director shall be absent from four consecutive meetings of the Board of Directors, including regular meetings and special meetings duly called, the Board of Directors may, in its discretion, declare the office of such director vacated, and a successor shall be elected as provided in these Bylaws.

4.7 Limitation of Liability.

(a) Liability. To the fullest extent that the laws of the Commonwealth of Pennsylvania, as now in effect or as hereafter amended, permit elimination or limitation of the liability of directors, no director of the Corporation shall be personally liable for monetary damages as such for any actions, as a director.

(b) Nature and Extent of Rights. The provisions of this Section 4.7 shall be deemed to be a contract with each director of the Corporation who serves as such at any time while this Section is in effect and each such director shall be deemed to be so serving in reliance on the provisions of this Section. Any amendment or repeal of this Section or adoption of any Bylaw or provision of the Articles of the Corporation which has the effect of increasing director liability shall operate prospectively only and shall not affect any action taken, or any failure to act, prior to the adoption of such amendment, repeal, Bylaw or provision.

4.8 Compensation. The Board of Directors may determine the compensation of directors for their services as directors, members of committees of the Board of Directors or otherwise, and also may determine the compensation of persons who are not directors who serve on any committees established by the Board of Directors; provided that such compensation is reasonable compensation within the meaning of Section 4958 of the Code.

ARTICLE V
OFFICERS

5.1 Officers; Election.

(a) **Principal Officers.** The principal officers of the Corporation shall be a Chief Executive Officer, a Chief Financial Officer, a Treasurer and a Secretary, each of whom shall be elected by the Board of Directors, and such other officers as the Board of Directors may elect, which may include one or more Presidents, one or more Executive, Senior or Corporate Vice Presidents, and one or more Assistant Treasurers or Assistant Secretaries. Each such officer shall hold office for a term of one year (or such other term as the Board of Directors shall determine for any office from time to time) and until his or her successor has been selected and qualified or until his or her earlier death, resignation or removal. Any number of offices may be held by the same person.

(b) **Other Officers.** The Chief Executive Officer may appoint President(s), Vice Presidents (including Executive, Senior and Corporate Vice Presidents), Assistant Treasurers or Assistant Secretaries who have not been elected by the Board of Directors and such other officers or agents of the Corporation as he or she determines to be appropriate, who shall hold their offices subject to the discretion of the Chief Executive Officer.

5.2 Responsibilities of Officers.

(a) **Chief Executive Officer.** The Chief Executive Officer shall be responsible for the general and active management of the business and affairs of the Corporation and shall exercise general supervision and authority over all of its agents and employees and shall perform all duties incident to the office of Chief Executive Officer and such other duties as may be assigned by the Board of Directors. The Chief Executive Officer shall supervise the implementation of all policies, orders and resolutions of the Board of Directors and shall execute all contracts and agreements authorized by the Board of Directors, except that he or she may delegate to other officers of the Corporation the power to execute contracts in the ordinary course of business or as otherwise may be authorized by the Board of Directors.

(b) **President(s).** The President(s) shall be responsible for the direct administration, supervision and control of such activities in the management of the Corporation as may be assigned by the Chief Executive Officer or the Board of Directors.

(c) **Chief Financial Officer.** The Chief Financial Officer shall be responsible for financial accounting and reporting for the Corporation and such other duties as may be assigned by the Chief Executive Officer or the Board of Directors.

(d) **Vice Presidents.** Each Vice President shall perform such duties as may be assigned by the Chief Executive Officer or the Board of Directors.

(d) **Treasurer.** The Treasurer shall, in accordance with the policies of the Board of Directors and under the direction of the Chief Executive Officer or the Chief Financial Officer, have general charge and custody of and be responsible for all funds and securities of the

Corporation, and shall make such reports in such form and manner as the Chief Executive Officer, the Chief Financial Officer or the Board of Directors may direct. The Treasurer shall receive and give receipts for monies due and payable to the Corporation and deposit such monies in the name of the Corporation in such banks, trust companies or other depositories as may be selected in accordance with the provisions of these Bylaws. The Treasurer shall keep account of such receipts and deposits and approve expenditures of the Corporation and shall perform all duties incident to the office of Treasurer and such other duties as may be assigned by the Chief Executive Officer, the Chief Financial Officer or the Board of Directors.

(e) Secretary. The Secretary shall keep the minutes of the meetings of the Board of Directors and its committees in one or more books provided for that purpose, shall notify members of the Board of Directors of their election, shall see that all notices are duly given in accordance with the provisions of these Bylaws, shall be custodian of the corporate records and of the seal of the Corporation, and shall see that the seal of the Corporation is affixed, when necessary, to all instruments and documents the execution of which has been authorized by the Board of Directors or a committee thereof, shall keep a record of the address of each director, and shall perform all duties incident to the office of Secretary and such other duties as may be assigned by the Chief Executive Officer or the Board of Directors. In the absence of the Secretary or in the event of his or her inability to act, the Chairperson of the Board shall appoint an individual to discharge the duties of the Secretary.

(f) Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries and Assistant Treasurers shall perform such duties as may be assigned by the Secretary or the Treasurer, respectively, or by the Chief Executive Officer or the Chief Financial Officer, as appropriate, or the Board of Directors.

5.3 Removal of Officers. Any officer of the Corporation may be removed, with or without cause, by the Board of Directors, without prejudice to such officer's contractual rights, if any. Any officer appointed by the Chief Executive Officer may be removed, with or without cause, by the Chief Executive Officer, without prejudice to such officer's contractual rights, if any.

5.4 Bonds. The Board of Directors may require any officer to give bond and security in such sum and with such surety or sureties as the Board of Directors may determine.

ARTICLE VI
COMMITTEES

6.1 Committees.

(a) Standing Board Committees. The Board of Directors shall have a Corporate Governance and Nominating Committee, an Audit Committee and a Personnel and Compensation Committee and the Board of Directors may establish such other standing committees as it deems to be necessary or desirable (the "Standing Board Committees"). All Standing Board Committees shall be comprised solely of directors and shall have charters governing their powers and duties, which charters shall be approved by the Board of Directors.

The Board of Directors shall appoint the members and a chairperson and a vice chairperson of each Standing Board Committee.

(b) Special Committees and Program Committees. The Board of Directors may establish one or more special committees of directors ("Special Committees") to advise the Board of Directors and to perform such other functions as the Board of Directors determines. The Board of Directors may establish one or more committees, which may include directors and persons who are not directors, to assist it with aspects of the Corporation's operations ("Program Committees"). Subject to the provisions of these Bylaws, the Board of Directors may delegate such authority to a Special Committee or a Program Committee as it deems to be appropriate and desirable and as is not prohibited by applicable law. The Board of Directors shall establish the manner of selecting members, chairpersons and vice chairpersons, if any, and the terms of office of the members of each Special Committee and Program Committee.

6.2 Term. Except as otherwise provided in these Bylaws, each member of a Standing Board Committee shall continue as such until the next annual organizational meeting of the Board of Directors or until a successor has been appointed as provided herein, unless such person resigns, is removed or otherwise ceases to serve on such Standing Board Committee for any reason.

6.3 Quorum and Action. Except as otherwise provided in these Bylaws or the charter of a committee approved by the Board of Directors, a majority of the members comprising any committee appointed by the Board of Directors pursuant to these Bylaws shall constitute a quorum for the transaction of business, and the acts of a majority of committee members present at a meeting at which a quorum is present shall constitute the acts of the committee, unless a greater proportion is required by applicable law, the Articles of Incorporation or these Bylaws.

6.4 Action by Unanimous Written Consent. Except as otherwise provided in these Bylaws or a charter of a committee approved by the Board of Directors, any action which may be taken at a meeting of any committee appointed by the Board of Directors pursuant to these Bylaws may be taken without a meeting if a consent or consents in writing setting forth the action so taken shall be signed by all of the members of such committee and filed with the Secretary.

6.5 Removal. Any member of a Standing Board Committee, Special Committee or Program Committee may be removed at any time, with or without cause, by the Board of Directors at any regular or special meeting.

6.6 Vacancies. Any vacancy in any Standing Board Committee, Special Committee or Program Committee caused by the death, resignation or removal of a member of such committee prior to the expiration of that member's term shall be filled by another person appointed by the Board of Directors. The member so appointed shall serve the remaining unexpired term of the member so replaced.

6.7 Exclusions from Committee Membership. Physicians who receive compensation from the Corporation, whether directly or indirectly or as employees or

independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

6.8 Corporate Governance and Nominating Committee.

(a) Composition. The Corporate Governance and Nominating Committee shall consist of such number of directors, but in no case less than three (3), as the Board of Directors shall determine. None of the members of the Corporate Governance and Nominating Committee shall be employees of the Corporation or of any entity controlled by the Corporation.

(b) Responsibilities. In addition to any responsibilities delegated to it by the Board of Directors, the Corporate Governance and Nominating Committee shall be responsible for:

(i) Recommending the candidates to be nominated by the Board of Directors for election as directors at each annual meeting of the Board of Directors;

(ii) Recommending the candidates to be nominated by the Board of Directors for election as directors to fill any vacancies occurring on the Board of Directors; and

(iii) Recommending the candidates for election or reelection as Chairperson of the Board and Vice Chairperson of the Board.

(c) Timing. At least fifteen (15) days before each annual, regular or special meeting of the Board of Directors, the Corporate Governance and Nominating Committee shall recommend the requisite number of individuals who satisfy the qualifications established in these Bylaws for election as directors of the Corporation.

6.9 Audit Committee.

(a) Composition. The Audit Committee shall consist of such number of directors, but in no case less than three (3), as the Board of Directors shall determine. None of the members of the Audit Committee shall be employees of the Corporation or of any entity controlled by the Corporation.

(b) Responsibilities. In addition to any responsibilities delegated to it by the Board of Directors, the Audit Committee shall be responsible for:

(i) Recommending to the Board of Directors the selection of independent certified public accountants for the Corporation and the subsidiaries; and

(ii) Overseeing the compliance programs, accounting and financial procedures, systems of internal accounting and financial controls, and internal audit functions of the Corporation and the subsidiaries; and

(iii) Accepting the annual independent audit report of the Corporation's financial statements, as prepared by the external auditors, and render or cause to be rendered an audit report to the Board of Directors at its annual meeting.

6.10 Personnel and Compensation Committee.

(a) Composition. The Personnel and Compensation Committee shall consist of such number of directors, but in no case less than three (3), as the Board of Directors shall determine. None of the members of the Personnel and Compensation Committee shall be employees of the Corporation or of any entity controlled by the Corporation and none may have a Conflict of Interest as defined in Section 4958 of the Code and the applicable regulations.

(b) Responsibilities. In addition to any responsibilities delegated to it by the Board of Directors, the Personnel and Compensation Committee shall be responsible for:

(i) Evaluating the performance of the principal officers of the Corporation;
and

(ii) Recommending to the Board of Directors the selection and compensation of the principal officers of the Corporation.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS

7.1 Right to Indemnification - General. Any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (whether brought by or in the name of the Corporation or otherwise), by reason of the fact that he or she is or was a representative of the Corporation, or is or was serving at the request of the Corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by the Corporation to the fullest extent now or hereafter permitted by applicable law in connection with such action, suit or proceeding arising out of such person's service to the Corporation or to such other corporation, partnership, joint venture, trust or other enterprise at the Corporation's request. The term "representative," as used in this Article VII, shall mean any director, officer or employee, including any employee who is a medical doctor, lawyer or other licensed professional, or any committee created by or pursuant to these Bylaws, and any other person who may be determined by the Board of Directors to be a representative entitled to the benefits of this Article VII.

7.2 Right to Indemnification - Third Party Actions. Without limiting the generality of Section 7.1, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that he or she is or was a representative of the Corporation, or is or was serving at the request of the Corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by the Corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no

reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

7.3 Right to Indemnification - Derivative Actions. Without limiting the generality of Section 7.1, any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a representative of the Corporation, or is or was serving at the request of the Corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by the Corporation against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation; except, however, that indemnification shall not be made under this Section 7.3 in respect of any claim, issue or matter as to which such person has been adjudged to be liable to the Corporation unless and only to the extent that the Court of Common Pleas of the county in which the registered office of the Corporation is located or the court in which such action, suit or proceeding was brought determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses that the Court of Common Pleas or such other court shall deem proper.

7.4 Advance of Expenses. Unless in a particular case advancement of expenses would jeopardize the Corporation's tax exempt status under Section 501(a) of the Code or result in the Corporation's failure to be described in Section 501(c)(3) of the Code, expenses (including attorneys' fees) incurred by any representative of the Corporation in defending any action, suit or proceeding referred to in this Article VII shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the representative to repay such amount if it is ultimately determined that he or she is not entitled to be indemnified by the Corporation as authorized in this Article VII or otherwise.

7.5 Procedure for Effecting Indemnification. Unless ordered by a court, any indemnification under Section 7.1, Section 7.2 or Section 7.3 shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the representative is proper in the circumstances because he or she has met the applicable standard of conduct set forth in such subsections. Such determination shall be made:

- (a) By the Board of Directors by a majority of a quorum consisting of directors who were not parties to such action, suit or proceeding; or
- (b) If such a quorum is not obtainable, or if obtainable and a majority vote of a quorum of disinterested directors so directs, by independent legal counsel in a written opinion.

7.6 Indemnification Not Exclusive. The indemnification and advancement of expenses provided by or granted pursuant to this Article VII shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any other provision of these Bylaws, agreement, vote of disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, shall continue as to a person who has ceased to be a representative of the Corporation and shall inure to the benefit of the heirs and personal representatives of such person.

7.7 When Indemnification Not Made. Indemnification pursuant to this Article VII shall not be made in any case where (a) the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness, or (b) indemnification would jeopardize the Corporation's tax exempt status under Section 501(a) of the Code or result in the Corporation's failure to be described in Section 501(c)(3) of the Code.

7.8 Grounds for Indemnification. Indemnification pursuant to this Article VII, under any other provision of these Bylaws, agreement, vote of directors or otherwise may be granted for any action taken or any failure to take any action and may be made whether or not the Corporation would have the power to indemnify the person under any provision of law except as otherwise provided in this Article VII and whether or not the indemnified liability arises or arose from any threatened, pending or completed action by or in the right of the Corporation. The provisions of this Article VII shall be applicable to all actions, suits or proceedings within the scope of Section 7.1, Section 7.2 or Section 7.3, whether commenced before or after the adoption hereof, whether arising from acts or omissions occurring before or after the adoption hereof.

7.9 Power to Purchase Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a representative of the Corporation or is or was serving at the request of the Corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article VII.

7.10 Creation of a Fund to Secure or Insure Indemnification. The Corporation may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise secure or insure in any manner its indemnification obligations, whether arising under or pursuant to this Article VII or otherwise.

7.11 Status of Rights of Indemnities. The rights to indemnification and advancement of expenses provided by or granted pursuant to this Article VII shall (a) be deemed to create contractual rights in favor of each person who serves as a representative of the Corporation at any time while this Article is in effect (and each such person shall be deemed to be so serving in reliance on the provisions of this Article), and (b) continue as to a person who has ceased to be a representative of the Corporation.

7.12 Applicability to Predecessor Companies. For purposes of this Article VII, references to the “Corporation” includes all constituent corporations or other entities which shall have become a part of the Corporation by consolidation or merger or other similar transaction and their respective current and former affiliates, and references to “representatives” shall include members of any such corporation, entity or affiliate, so that any person who was a member, director, officer, employee, agent or other representative of such a corporation, entity or affiliate or served as a member, director, officer, employee, agent or other representative of another corporation, partnership, joint venture, trust or other enterprise at the request of any such corporation, entity or affiliate shall stand in the same position under the provisions of this Article VII with respect to the Corporation as he or she would if he or she had served the Corporation in the same capacity. Without limitation of the foregoing, each member, director, officer and employee of each predecessor to the Corporation shall have the same contract rights as are afforded to directors, officers and employees of the Corporation pursuant to Section 7.11.

ARTICLE VIII

CONTRACTS, LOANS, CHECKS AND DEPOSITS

8.1 Contracts. The Board of Directors may authorize any officer or officers or agent or agents to enter into any contract or execute or deliver any agreement or instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

8.2 Loans. The Board of Directors may authorize the borrowing by the Corporation of such sum or sums of money as the Board of Directors may deem advisable, and to mortgage or pledge any or all of the real or personal property and any or all of the other available assets of the Corporation in order to secure the payment of the principal amount of any such borrowing and the interest thereon and any and all such other amounts as may become due on account thereof.

8.3 Checks. All checks, drafts or other orders for the payment of money, notes or other evidence of indebtedness shall be issued in the name of the Corporation and shall be signed by such officer or officers or agent or agents of the Corporation and in such manner as from time to time shall be determined by the Board of Directors.

8.4 Deposits. All funds of the Corporation shall be deposited to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may approve.

ARTICLE IX

NOTICE AND CONDUCT OF MEETINGS

9.1 Written Notice. Except as otherwise provided in these Bylaws, whenever written notice is required to be given by any person under the provisions of any statute or these Bylaws, it may be given by sending a copy thereof through the mail or overnight delivery or by hand delivery, in each case with charges prepaid, or by facsimile transmission confirmed by one of the

foregoing methods, to the individual's address appearing on the books of the Corporation or supplied by the individual to the Corporation for the purpose of notice.

9.2 Written Waiver of Notice. Whenever any written notice is required as set forth in these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

9.3 Waiver of Notice by Attendance. Attendance of a person in person at any meeting shall constitute a waiver of notice of such meeting except when a person attends the meeting for the express purpose of objecting to the transaction of any business because the meeting has not been lawfully called or convened.

9.4 Procedure. All meetings of the Board of Directors and the committees thereof shall be conducted in an orderly manner with a view to affording full and fair discussion of the matters properly before such meetings.

ARTICLE X

MISCELLANEOUS

10.1 No Contract Rights. Except as specifically set forth in Sections 4.7 and 7.11, no provision of these Bylaws shall vest any property or contract right in any person.

10.2 Corporate Seal. The Board of Directors shall prescribe the form of a suitable corporate seal, which shall contain the full name of the Corporation and the year and state of incorporation.

10.3 Fiscal Year. The fiscal year of the Corporation shall end on such day as shall be fixed by the Board of Directors.

ARTICLE XI

AMENDMENTS

11.1 Amendments. These Bylaws may be altered, amended or repealed, or new Bylaws may be adopted, by the Board of Directors at any meeting of the Board of Directors by the vote of not less than seventy-five percent (75%) of the directors present, but not less than a majority of the directors in office, at any such meeting, provided that notice of any proposed amendment or a summary thereof shall have been given to each director not less than ten (10) days prior to the date of the meeting.

ARTICLE XII

CONFLICTS OF INTEREST

12.1 Disclosure. In connection with any actual or possible conflict of interest, an interested person must disclose the existence and nature of his or her financial interest to the

Board of Directors and any relevant committee members. For this purpose, an interested person shall include any director, officer, or member of a committee of the Corporation or an entity affiliated with the Corporation who has a direct or indirect financial interest in a proposed transaction. A financial interest shall include: (a) an ownership or investment interest in any entity with which the Corporation has a proposed transaction or arrangement; (b) a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a proposed transaction or arrangement; and (c) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement. If a person is an interested person with respect to any entity in the health care system of which the Corporation is a part, he or she is an interested person with respect to all entities in the health care system.

12.2 Recusal and Investigation. After disclosure of the financial interest, the interested person shall leave the Board of Directors or committee meeting while the financial interest is discussed and voted upon. The remaining directors or committee members shall decide if a conflict of interest exists. If a conflict of interest exists, the following procedures shall be followed: (a) the Chief Executive Officer shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement; (b) after exercising due diligence, the Board of Directors or committee shall determine whether the Corporation could obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest; and (c) if a more advantageous transaction or arrangement is not reasonably attainable, the Board of Directors or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Corporation's best interests and for its own benefit and whether the transaction is fair and reasonable to the Corporation and shall decide as to whether to enter into the transaction or arrangement in conformity with such determination.

12.3 Failure to Disclose. If a director or committee member has reasonable cause to believe that an interested person has failed to disclose actual or possible conflicts of interest, he shall inform the interested person of the basis of such belief and afford the interested person an opportunity to explain the alleged failure to disclose. If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the Board of Directors or committee determines that the interested person has in fact failed to disclose an actual or possible conflict of interest, the Board of Directors shall take appropriate steps to protect the Corporation.

12.4 Record of Actions. The minutes of the Board of Directors and all relevant committees shall contain the following: (a) the names of persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Board of Directors' or committee's decision as to whether a conflict of interest in fact existed; and (b) the names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.

12.5 Compensation. Special procedures shall be in effect with respect to compensation issues. A voting member of the Board of Directors or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation. Physicians who receive compensation from the Corporation, whether directly or indirectly or as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

12.6 Annual Statements. Each interested person shall annually sign a statement that affirms that such person (a) has received a copy of the conflicts of interest policy, (b) has read and understands the policy, (c) has agreed to comply with the policy, and (d) understands that the Corporation is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes. This policy shall be reviewed annually for the information and guidance of members of the Board of Directors, and any new member shall be advised of the policy upon entering on the duties of his office. In addition, the Corporation shall conduct periodic reviews of its activities, including any transactions or arrangements with interested persons, to ensure that its activities in the aggregate promote and further the Corporation's exempt charitable, scientific, and educational purposes.

TAB L

AMENDED AND RESTATED BYLAWS

OF

[PROVIDER SUBSIDIARY ENTITY]

(Effective [_____])

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I Name and Purposes.....	1
1.1 Name	1
1.2 Purpose.....	1
ARTICLE II Offices	2
2.1 Registered Office	2
2.2 Business Offices.....	2
ARTICLE III Members.....	2
3.1 Membership	2
3.2 Meetings.....	2
3.3 Powers.....	32
ARTICLE IV Board of Directors	5
4.1 Powers and Duties.....	5
4.2 Election of Directors	5
4.3 Number/Qualifications.....	5
4.4 Election and Term.....	6
4.5 Vacancies	6
4.6 Meetings.....	7
4.7 Resignation/Removal	87
4.8 Limitation of Liability.....	8
4.9 Compensation	9
ARTICLE V Officers.....	9
5.1 Officers; Election	9
5.2 Responsibilities of Officers.....	9
5.3 Removal of Officers.....	10
5.4 Bonds	10
ARTICLE VI Committees	10
6.1 Committees	10
6.2 Term.....	11
6.3 Quorum and Action.....	11
6.4 Action by Unanimous Written Consent.....	11
6.5 Removal	11
6.6 Vacancies	11
6.7 Exclusions from Committee Membership	11
6.8 Corporate Governance and Nominating Committee.....	12
6.9 Audit Committee.....	12
6.10 Personnel and Compensation Committee	12
ARTICLE VII Indemnification of Directors, Officers and Others	13
7.1 Right to Indemnification - General	13
7.2 Right to Indemnification - Third Party Actions	13
7.3 Right to Indemnification - Derivative Actions	1413
7.4 Advance of Expenses.....	14

7.5	Procedure for Effecting Indemnification	14
7.6	Indemnification Not Exclusive	14
7.7	When Indemnification Not Made	<u>15</u> 14
7.8	Grounds for Indemnification.....	15
7.9	Power to Purchase Insurance	15
7.10	Creation of a Fund to Secure or Insure Indemnification.....	15
7.11	Status of Rights of Indemnities.....	15
7.12	Applicability to Predecessor Companies	15
ARTICLE VIII Contracts, Loans, Checks and Deposits		16
8.1	Contracts	16
8.2	Loans.....	16
8.3	Checks.....	16
8.4	Deposits.....	16
ARTICLE IX Notice and Conduct of Meetings		16
9.1	Written Notice.....	16
9.2	Written Waiver of Notice.....	<u>17</u> 16
9.3	Waiver of Notice by Attendance.....	<u>17</u> 16
9.4	Procedure	17
ARTICLE X Miscellaneous.....		17
10.1	No Contract Rights	17
10.2	Corporate Seal.....	17
10.3	Fiscal Year	17
ARTICLE XI Amendments		17
11.1	Amendments	17
ARTICLE XII Conflicts of Interest		17
12.1	Disclosure.	17
12.2	Recusal and Investigation	18
12.3	Failure to Disclose	18
12.4	Record of Actions	18
12.5	Compensation	18
12.6	Annual Statements	<u>19</u> 18

ARTICLE I
NAME AND PURPOSES

1.1 Name. The name of the corporation is [*Provider Subsidiary Entity*] (the “Corporation”). The Corporation may do business under such other names as may be determined by the Board of Directors.

1.2 Purpose. The Corporation is organized under the Pennsylvania Nonprofit Corporation Law (the “Nonprofit Corporation Law”) for scientific, educational and charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and to promote, support, and further the scientific, educational and charitable purposes and interests of West Penn Allegheny Health System, Inc. (“WPAHS”), Canonsburg General Hospital, Alle-Kiski Medical Center, Jefferson Regional Medical Center (“JRMC”), and [Saint Vincent Health Center], organizations exempt from taxation under Section 501(c)(3) of the Code and classified as other than private foundations under Section 509(a)(1) or 509(a)(2) of the Code, and affiliated exempt entities, the purposes of which are consistent with those of the Corporation (collectively, the “Hospitals”). In this capacity the Corporation is further organized:

(a) To establish, maintain, sponsor, and promote activities relating to the improvement of human health and the provision of care to the sick, injured or disabled;

(b) To establish, maintain, sponsor and promote education and research programs relating to the promotion of health and the provision of care to the sick, injured or disabled;

(c) To coordinate, sponsor, promote and advance programs and activities designed and carried on to improve the physical, psychological, and emotional health and welfare of persons living in and around the territory which it serves;

(d) To evaluate, develop and implement long-range health care objectives, strategies, plans and alternative health care delivery systems, in furtherance of the purposes of the Corporation and the purposes of those nonprofit health care organizations which the Corporation was organized to support;

(e) To develop, organize, promote and conduct fund raising activities to further the charitable purposes and interests of the Corporation, as well as those of the nonprofit health care organizations which the Corporation was organized to support;

(f) To carry out such other acts and to undertake such other activities as may be necessary, appropriate or desirable in furtherance of or in connection with the conduct, promotion or attainment of the foregoing purposes, provided, that none of such activities shall be undertaken which would cause the Corporation to lose its status as an organization described in Section 501(c)(3) of the Code, or as an organization contributions to which are deductible under Section 170(c)(2) of the Code; and

(g) To otherwise operate exclusively for charitable, scientific or educational purposes within the meaning of Section 501(c)(3) of the Code.

ARTICLE II

OFFICES

2.1 Registered Office. The registered office of the Corporation shall at all times be within the Commonwealth of Pennsylvania at such address as may be established by the Board of Directors.

2.2 Business Offices. The Corporation may have business offices at such places permitted by law as the business of the Corporation may require.

ARTICLE III

MEMBERS

3.1 Membership. The Corporation shall have one (1) member, which shall be [*Name of Ultimate Parent Entity*] (the "Member"). There shall be no other members or classes of membership. The Chief Executive Officer or the President of the Member shall be entitled to vote on behalf of the Member in accordance with the authority granted to the Chief Executive Officer or the President of the Member unless the Member notifies the Corporation in writing that another officer is authorized to vote on behalf of the Member.

3.2 Meetings.

(a) Annual Meeting. The annual meeting of the Member of the Corporation shall be held immediately following the annual meeting of the Board of Directors of the Member, or at such other time as the Member may determine, to elect members of the Board of Directors and officers of the Corporation, and to transact such other business as may come before the meeting.

(b) Special Meetings. Special meetings of the Member may be called by the Chairperson of the Board of the Corporation, one-third (1/3) of the members of the Board of Directors of the Corporation or by one-third (1/3) of the members of the Board of Directors of the Member.

(c) Notice of Meetings. Notice of any meeting of the Member shall be given by, or at the direction of, the Secretary of the Corporation at least then (10) days prior to the day named for a meeting that will consider a fundamental change under Chapter 59 of the Nonprofit Corporation Law or five days prior to the day named for the meeting in any other case.

(d) Written Consent. Any action which may be taken at a meeting of the Member may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by the Member and filed with the Secretary.

3.3 Powers. The following rights and powers are reserved to the Member:

(a) Subject to the provisions of Section 4.3 of these Bylaws, to determine the number of directors that will comprise the Board of Directors of the Corporation and those corporations and other entities over which the Corporation exercises governance control (the “subsidiaries”);

(b) Subject to the provisions of Sections 4.2, 4.3, 4.4, and 4.5 of these Bylaws, to elect the directors of the Corporation and the subsidiaries;

(c) To remove any of the directors of the Corporation or the subsidiaries, and to replace any such removed director for the unexpired portion of his or her term;

(d) To approve the election, re-election and removal of all officers, including the Chief Executive Officer, of the Corporation and the subsidiaries in accordance with Article V;

(e) To amend, revise or restate the Corporation’s or the subsidiaries’ Articles of Incorporation and Bylaws;

(f) To adopt or change the mission, purpose, philosophy or objectives of the Corporation or the subsidiaries;

(g) To change the general structure of the Corporation or any of the subsidiaries as a voluntary, nonprofit corporation;

(h) To (i) dissolve or liquidate the Corporation or divide or convert the Corporation or the subsidiaries, (ii) consolidate or merge the Corporation or the subsidiaries with another corporation or entity, or (iii) sell or acquire assets, whether in a single transaction or series of transactions, where the consideration exceeds 1% of the Corporation’s and the subsidiaries’ total assets, taken as a whole;

(i) To approve the annual capital and operating budgets of the Corporation and the subsidiaries, and any amendments thereto or significant variances therefrom;

(j) To approve the incurrence of debt by the Corporation and the subsidiaries or the making of capital expenditures by the Corporation and the subsidiaries during any fiscal year, in either case in excess of one quarter of 1% of the annual operating budget of the Corporation or the subsidiaries, taken as a whole, for such fiscal year, if such debt or capital expenditures are not included in the Corporation’s or subsidiaries’ approved budgets, whether in a single transaction or a series of related transactions;

(k) To approve any donation or any other transfer of the Corporation’s or the subsidiaries’ assets, taken as a whole, other than to the Member or to the Corporation by the subsidiaries, in excess of \$10,000.00, unless specifically authorized in the Corporation’s or the subsidiaries’ approved budgets;

(l) To select and appoint auditors of the Corporation and the subsidiaries;

(m) To approve strategic plans and mission statements of the Corporation and the subsidiaries;

(n) To approve investment policies of the Corporation and the subsidiaries;

(o) To approve the closure or relocation of a licensed health care facility of the Corporation or the subsidiaries;

(p) To approve the formation of subsidiary corporations, partnerships and joint ventures or to make investments in existing subsidiary corporations, partnerships and joint ventures, if the new investments of the Corporation and the subsidiaries in such subsidiary corporations, partnerships and joint ventures during any fiscal year would, in the aggregate, exceed 1% of the total assets of the Corporation and the subsidiaries, taken as a whole, at the end of the prior fiscal year of the Corporation;

(q) To approve the dissolution of subsidiary corporations, partnerships and joint ventures of the Corporation and the subsidiaries, if the aggregate value of the ownership interests of the Corporation and the subsidiaries in such subsidiary corporations, partnerships and joint ventures so dissolved in any fiscal year would exceed 1% of the total assets of the Corporation and the subsidiaries, taken as a whole, at the end of the prior fiscal year;

(r) To establish and maintain the Corporation's program for compliance with all legal requirements applicable to the Corporation and the subsidiaries; and

(s) To give such other approvals and take such other actions as are specifically reserved to members of Pennsylvania nonprofit corporations under the Nonprofit Corporation Law.

Except as may otherwise be provided by the Nonprofit Corporation Law, the Member shall have the right to both initiate and approve action in furtherance of such reserved powers, as well as the authority to directly bind the Corporation and the subsidiaries on such matters. Any action taken in this regard by Member shall be sufficient to finally approve and adopt such actions and no action of the Board of Directors or other governing body or officer with respect to such action shall be necessary with respect thereto.

ARTICLE IV
BOARD OF DIRECTORS

4.1 Powers and Duties. Subject to Section 3.3 of these Bylaws, all powers of the Corporation shall be vested in the Board of Directors, which shall have charge, control and management of the property, business, affairs and funds of the Corporation and shall have the power and authority to perform all necessary and appropriate functions not otherwise inconsistent with these Bylaws, the Articles of Incorporation or applicable law. Subject to Section 3.3 of these Bylaws, and without limiting the generality of the foregoing and except as otherwise may be provided in these Bylaws, the Board of Directors shall have full power and the duty:

- (a) To set policies and provide for carrying out the purposes of the Corporation;
- (b) To make rules and regulations for its own governance and for the governance of the committees appointed by the Board of Directors as provided herein; and
- (c) To adopt and amend from time to time such rules and regulations for the conduct of the business of the Corporation as may be appropriate or desirable.

4.2 Election of Directors. Subject to the limitations set forth in this Section 4.2 of these Bylaws, the Member shall elect all directors; provided, that

- (a) On the effective date of these Bylaws, after consultation with WPAHS, the Member shall elect one director designated by WPAHS (the "WPAHS Director");
- (b) prior to [*insert date that is four years after Closing*], any vacancy in the Board of Directors caused by the death, resignation or removal of the WPAHS Director or by the expiration of the term of the WPAHS Director shall be filled by the Member from nominee(s) identified by the WPAHS Representatives [and the Self-Perpetuating Directors] (as defined in the Bylaws of WPAHS); and
- (c) one individual serving at all times on the Board of Directors shall be a Jefferson JRMC Appointee (as defined in the Bylaws of JRMC), the appointment of such individual being subject to the approval and election by the Board of Directors of the Member, such approval to not be unreasonably withheld.

4.3 Number/Qualifications.

- (a) Composition. The Board of Directors shall consist of such number of persons as the Member may determine, but in no case less than three (3).
- (b) Certain Qualifications. No individual may be elected to the Board of Directors unless the individual is eligible to serve on the Board of Directors pursuant to

applicable law, the Articles of Incorporation and these Bylaws. Each director shall be a natural person of at least 18 years of age.

(c) Independence. At least a majority of the directors shall be persons whom the Board of Directors has determined are “independent directors” within the meaning of such term as defined by the Internal Revenue Service for exempt organizations under Section 501(c)(3) of the Code, and as such, are broadly representative of the community.

(d) Common Directors With Hospitals. The members of the Board of Directors must include at least one person who is also serving as a member of the board of directors of each Hospital. The same member of the Board of Directors need not be serving on all such Hospital boards.

(e) SEC Actions. Any person who is, or ever has been, subject to an order of a court or the Securities and Exchange Commission prohibiting such person from acting as an officer or director of a public company shall not be eligible to serve as a director.

(f) Age Limitations. No person who is seventy-five (75) years of age or older may be nominated or re-nominated for election or re-election as a director. Any director who reaches the age of seventy-five (75) shall no longer be qualified to serve as a director after the next annual meeting of the Board of Directors.

4.4 Election and Term.

(a) Term of Directors. The initial Board of Directors elected by the Incorporator of the Corporation shall be divided, as evenly as practicable, into three classes and shall serve staggered terms. Allocation of initial terms among directors for one, two or three-year terms shall be made by the Incorporator. At the end of their respective initial terms, all directors shall serve for terms of three (3) years or until their successors are elected and have qualified. If the term of the WPAHS Director expires prior to *[four years after the Closing]*, the Member shall re-elect such WPAHS Director for such additional term as may be necessary to assure that such WPAHS Representative serves on the Board of Directors until at least *[four years after the Closing]*.

(b) Chairperson. The Board of Directors shall elect from among the directors an individual to serve as Chairperson of the Board. The Chairperson shall not be an employee of the Corporation. The Chairperson shall preside at all meetings of the Board of Directors and shall perform all duties incident to the office of Chairperson of the Board and such other duties as may be prescribed by the Board of Directors.

(c) Vice Chairperson. The Board of Directors may elect from among the directors a Vice Chairperson of the Board. The Vice Chairperson shall not be an employee of the Corporation. The Vice Chairperson shall perform the duties of the office of Chairperson of the Board in the absence of the Chairperson of the Board and such other duties as may be prescribed by the Board of Directors.

4.5 Vacancies. Any vacancy in the Board of Directors caused by the death, resignation or removal of a director or a director ceasing to qualify to serve as a director prior to

the expiration of that director's term between annual meetings of the Member shall be filled by an individual elected by the Member in accordance with the provisions of Section 4.2(b) of these Bylaws, including the provisions with respect to the WPAHS Director if there is a vacancy in such position. The director so elected shall serve the remaining unexpired term of the director so replaced.

4.6 Meetings.

(a) Annual Meetings. The annual organizational meeting of the Board of Directors shall be held on such other date as the Board of Directors may determine, at such time and place as shall be determined by the Board of Directors, without further notice than the resolution setting such date, time and place.

(b) Regular Meetings. Regular meetings of the Board of Directors shall be held not less than four (4) times a year, each at such date, time and place as shall be determined by the Board of Directors, without further notice than the resolution setting such date, time and place.

(c) Special Meetings. Special meetings of the Board of Directors may be called at any time by the Chairperson of the Board, the Chief Executive Officer or one-third (1/3) of the members of the Board of Directors, the date, time and place of each such meeting to be designated in the notice calling the meeting. Notice of any special meeting of the Board of Directors shall be given at least forty-eight (48) hours prior thereto and shall state the general nature of the business to be transacted.

(d) Adjournment. When a meeting of the Board of Directors is adjourned, it shall not be necessary to give any notice of the adjourned meeting or the business to be transacted at the adjourned meeting other than by announcement at the meeting at which such adjournment is taken.

(e) Quorum. Directors constituting a majority of the directors in office shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

(f) Voting and Action. Each director shall be entitled to one vote on any matter submitted to a vote of the Board of Directors, and action by the Board of Directors on any matter shall require the affirmative vote of a majority of the directors in office unless a greater proportion of affirmative votes is required by applicable law, the Articles of Incorporation or these Bylaws.

(g) Use of Conference Telephone. Except as the Board of Directors otherwise may determine, one or more persons may participate in a meeting of the Board of Directors or of any committee thereof by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear and be heard by each other. Participation in a meeting in such manner shall constitute presence in person at the meeting.

(h) Action by Unanimous Written Consent. Any action which may be taken at a meeting of the Board of Directors may be taken without a meeting if a consent or consents in

writing setting forth the action so taken shall be signed by all of the directors in office and filed with the Secretary.

4.7 Resignation/Removal.

(a) Resignation. Any director may resign his or her office at any time, such resignation to be made in writing and to take effect immediately or at such subsequent time stated in such writing. Any director who ceases to meet the eligibility requirements contained in applicable law or in these Bylaws to serve as a director forthwith shall resign his or her office, such resignation to be made in writing and to take effect immediately.

(b) Removal. Any director may be removed, with or without cause, by the Member; provided, that only a majority of the other Self-Perpetuating Directors (as defined in the Bylaws of WPAHS) may remove a Self-Perpetuating Director, whether with or without "cause." For this purpose "cause" shall mean:

- (i) the director is declared of unsound mind by an order of court;
- (ii) the director is indicted for, or convicted of, or enters a plea of guilty or nolo contendere to, a felony;
- (iii) the director engages in fraudulent or dishonest acts or in any act of moral turpitude;
- (iv) the director engages in gross abuse of authority or discretion with respect to the Corporation;
- (v) the director violates the Corporation's Code of Conduct Policy;
- (vi) the director fails to attend four consecutive meetings of the Board of Directors;
- (vii) the director engages in other conduct that is detrimental to the best interests of the Corporation or its reputation; or
- (viii) the director has breached such director's duties under Section 5712 of the Nonprofit Corporation Law.

4.8 Limitation of Liability

(a) Limitation of Liability. To the fullest extent that the laws of the Commonwealth of Pennsylvania, as now in effect or as hereafter amended, permit elimination or limitation of the liability of directors, no director of the Corporation shall be personally liable for monetary damages as such for any action taken, or any failure to take any action, as a director.

(b) Nature and Extent of Rights. The provisions of this Section 4.8 shall be deemed to be a contract with each director of the Corporation who serves as such at any time while this Section is in effect and each such director shall be deemed to be so serving in reliance

on the provisions of this Section. Any amendment or repeal of this Section or adoption of any Bylaw or provision of the Articles of the Corporation which has the effect of increasing director liability shall operate prospectively only and shall not affect any action taken, or any failure to act, prior to the adoption of such amendment, repeal, Bylaw or provision.

4.9 Compensation. The Board of Directors may determine the compensation of directors for their services as directors, members of committees of the Board of Directors or otherwise, and also may determine the compensation of persons who are not directors who serve on any committees established by the Board of Directors; provided that such compensation is reasonable compensation within the meaning of Section 4958 of the Code.

ARTICLE V

OFFICERS

5.1 Officers; Election. The principal officers of the Corporation shall be a Chief Executive Officer, a Chief Financial Officer, a Treasurer and a Secretary, each of whom shall be elected by the Board of Directors, subject to the approval of the Member, and such other officers as the Board of Directors, subject to the approval of the Member, may elect, which may include one or more Presidents, one or more Executive, Senior or Corporate Vice Presidents, and one or more Assistant Treasurers or Assistant Secretaries. Each such officer shall hold office for a term of one year (or such other term as the Board of Directors shall determine for any office from time to time) and until his or her successor has been selected and qualified or until his or her earlier death, resignation or removal. Any number of offices may be held by the same person.

5.2 Responsibilities of Officers.

(a) Chief Executive Officer. The Chief Executive Officer shall be responsible for the general and active management of the business and affairs of the Corporation and shall exercise general supervision and authority over all of its agents and employees and shall perform all duties incident to the office of Chief Executive Officer and such other duties as may be assigned by the Member or the Board of Directors. The Chief Executive Officer shall supervise the implementation of all policies, orders and resolutions of the Board of Directors and shall execute all contracts and agreements authorized by the Board of Directors, except that he or she may delegate to other officers of the Corporation the power to execute contracts in the ordinary course of business or as otherwise may be authorized by the Board of Directors.

(b) President(s). The President(s) shall be responsible for the direct administration, supervision and control of such activities in the management of the Corporation as may be assigned by the Chief Executive Officer or the Board of Directors.

(c) Chief Financial Officer. The Chief Financial Officer shall be responsible for financial accounting and reporting for the Corporation and such other duties as may be assigned by the Chief Executive Officer or the Board of Directors.

(d) Vice Presidents. Each Vice President shall perform such duties as may be assigned by the Chief Executive Officer or the Board of Directors.

(e) Treasurer. The Treasurer shall, in accordance with the policies of the Board of Directors and under the direction of the Chief Executive Officer or the Chief Financial Officer, have general charge and custody of and be responsible for all funds and securities of the Corporation, and shall make such reports in such form and manner as the Chief Executive Officer, the Chief Financial Officer or the Board of Directors may direct. The Treasurer shall receive and give receipts for monies due and payable to the Corporation and deposit such monies in the name of the Corporation in such banks, trust companies or other depositories as may be selected in accordance with the provisions of these Bylaws. The Treasurer shall keep account of such receipts and deposits and approve expenditures of the Corporation and shall perform all duties incident to the office of Treasurer and such other duties as may be assigned by the Chief Executive Officer, the Chief Financial Officer or the Board of Directors.

(f) Secretary. The Secretary shall keep the minutes of the meetings of the Board of Directors and its committees in one or more books provided for that purpose, shall notify members of the Board of Directors of their election, shall see that all notices are duly given in accordance with the provisions of these Bylaws, shall be custodian of the corporate records and of the seal of the Corporation, and shall see that the seal of the Corporation is affixed, when necessary, to all instruments and documents the execution of which has been authorized by the Board of Directors or a committee thereof, shall keep a record of the address of each director, and shall perform all duties incident to the office of Secretary and such other duties as may be assigned by the Chief Executive Officer or the Board of Directors. In the absence of the Secretary or in the event of his or her inability to act, the Chairperson of the Board of Directors shall appoint an individual to discharge the duties of the Secretary.

(g) Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries and Assistant Treasurers shall perform such duties as may be assigned by the Secretary or the Treasurer, respectively, or by the Chief Executive Officer or the Chief Financial Officer, as appropriate, or the Board of Directors.

5.3 Removal of Officers. Any officer of the Corporation (including the Chief Executive Officer) may be removed, with or without cause, by the Board of Directors, subject to the approval of the Member, without prejudice to such officer's contractual rights, if any.

5.4 Bonds. The Board of Directors may require any officer to give bond and security in such sum and with such surety or sureties as the Board of Directors may determine.

ARTICLE VI

COMMITTEES

6.1 Committees.

(a) Standing Board Committees. The Board of Directors shall have a Corporate Governance and Nominating Committee, an Audit Committee and a Personnel and Compensation Committee and the Board of Directors may establish such other standing committees as it deems to be necessary or desirable (the "Standing Board Committees"). All Standing Board Committees shall be comprised solely of directors and shall have charters

governing their powers and duties, which charters shall be approved by the Board of Directors. The Board of Directors shall appoint the members and a chairperson and a vice chairperson of each Standing Board Committee.

(b) Special Committees and Program Committees. The Board of Directors may establish one or more special committees of directors ("Special Committees") to advise the Board of Directors and to perform such other functions as the Board of Directors determines. The Board of Directors may establish one or more committees, which may include directors and persons who are not directors, to assist it with aspects of the Corporation's operations ("Program Committees"). Subject to the provisions of these Bylaws, the Board of Directors may delegate such authority to a Special Committee or a Program Committee as it deems to be appropriate and desirable and as is not prohibited by applicable law. The Board of Directors shall establish the manner of selecting members, chairpersons and vice chairpersons, if any, and the terms of office of the members of each Special Committee and Program Committee.

6.2 Term. Except as otherwise provided in these Bylaws, each member of a Standing Board Committee shall continue as such until the next annual meeting of the Board of Directors or until a successor has been appointed as provided herein, unless such person resigns, is removed or otherwise ceases to serve on such Standing Board Committee for any reason.

6.3 Quorum and Action. Except as otherwise provided in these Bylaws or the charter of a committee approved by the Board of Directors, a majority of the members comprising any committee appointed by the Board of Directors pursuant to these Bylaws shall constitute a quorum for the transaction of business, and the acts of a majority of committee members present at a meeting at which a quorum is present shall constitute the acts of the committee, unless a greater proportion is required by applicable law, the Articles of Incorporation or these Bylaws.

6.4 Action by Unanimous Written Consent. Except as otherwise provided in these Bylaws or a charter of a committee approved by the Board of Directors, any action which may be taken at a meeting of any committee appointed by the Board of Directors pursuant to these Bylaws may be taken without a meeting if a consent or consents in writing setting forth the action so taken shall be signed by all of the members of such committee and filed with the Secretary.

6.5 Removal. Any member of a Standing Board Committee, Special Committee or Program Committee may be removed at any time, with or without cause, by the Board of Directors at any regular or special meeting.

6.6 Vacancies. Any vacancy in any Standing Board Committee, Special Committee or Program Committee caused by the death, resignation or removal of a member of such committee prior to the expiration of that member's term shall be filled by another person appointed by the Board of Directors. The member so appointed shall serve the remaining unexpired term of the member so replaced.

6.7 Exclusions from Committee Membership. Physicians who receive compensation from the Corporation, whether directly or indirectly or as employees or

independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

6.8 Corporate Governance and Nominating Committee.

(a) Composition. The Corporate Governance and Nominating Committee shall consist of such number of directors, but in no case less than three (3), as may be determined by the Board of Directors. None of the members of the Corporate Governance and Nominating Committee shall be employees of the Corporation or of any entity controlled by the Corporation.

(b) Responsibilities. In addition to any responsibilities delegated to it by the Board of Directors, the Corporate Governance and Nominating Committee shall be responsible for:

(i) Recommending the candidates for election as directors at each annual meeting of the Member;

(ii) Recommending the candidates for election as directors to fill any vacancies occurring on the Board of Directors; and

(iii) Recommending the candidates for election or reelection as Chairperson of the Board and Vice Chairperson of the Board.

(c) Timing. At least fifteen (15) days before each annual, regular or special meeting of the Member, the Corporate Governance and Nominating Committee shall recommend the requisite number of individuals who satisfy the qualifications established in these Bylaws for election as directors of the Corporation.

6.9 Audit Committee.

(a) Composition. The Audit Committee shall consist of such number of directors, but in no case less than three (3), as the Board of Directors shall determine. None of the members of the Audit Committee shall be employees of the Corporation or of any entity controlled by the Corporation.

(b) Responsibilities. In addition to any responsibilities delegated to it by the Board of Directors, the Audit Committee shall be responsible for accepting the annual independent audit report of the Corporation's financial statements, as prepared by the external auditors, and render or cause to be rendered an audit report to the Board of Directors at its annual meeting.

6.10 Personnel and Compensation Committee.

(a) Composition. The Personnel and Compensation Committee shall consist of such number of directors, but in no case less than three (3), as the Board of Directors shall determine. None of the members of the Personnel and Compensation Committee shall be employees of the Corporation or of any entity controlled by the Corporation or of any entity

controlled by the Corporation and none may have a conflict of interest as defined in Section 4958 of the Code and applicable regulations.

(b) **Responsibilities.** In addition to any responsibilities delegated to it by the Board of Directors, the Personnel and Compensation Committee shall be responsible for:

- (i) Evaluating the performance of the principal officers of the Corporation;
and
- (ii) Recommending to the Board of Directors for recommendation to the Member the selection and compensation of the principal officers of the Corporation.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS

7.1 Right to Indemnification - General. Any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (whether brought by or in the name of the Corporation or otherwise), by reason of the fact that he or she is or was a representative of the Corporation, or is or was serving at the request of the Corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by the Corporation to the fullest extent now or hereafter permitted by applicable law in connection with such action, suit or proceeding arising out of such person’s service to the Corporation or to such other corporation, partnership, joint venture, trust or other enterprise at the Corporation’s request. The term “representative,” as used in this Article VII, shall mean any director, officer or employee, including any employee who is a medical doctor, lawyer or other licensed professional or any committee created by or pursuant to these Bylaws, and any other person who may be determined by the Board of Directors to be a representative entitled to the benefits of this Article VII.

7.2 Right to Indemnification - Third Party Actions. Without limiting the generality of Section 7.1 of these Bylaws, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that he or she is or was a representative of the Corporation, or is or was serving at the request of the Corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by the Corporation against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in, or not

opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

7.3 Right to Indemnification - Derivative Actions. Without limiting the generality of Section 7.1 of these Bylaws, any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a representative of the Corporation, or is or was serving at the request of the Corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by the Corporation against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation; except, however, that indemnification shall not be made under this Section 7.3 in respect of any claim, issue or matter as to which such person has been adjudged to be liable to the Corporation unless and only to the extent that the Court of Common Pleas of the county in which the registered office of the Corporation is located or the court in which such action, suit or proceeding was brought determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses that the Court of Common Pleas or such other court shall deem proper.

7.4 Advance of Expenses. Unless in a particular case advancement of expenses would jeopardize the Corporation's tax exempt status under Section 501(a) of the Code or result in the Corporation's failure to be described in Section 501(c)(3) of the Code, expenses (including attorneys' fees) incurred by any representative of the Corporation in defending any action, suit or proceeding referred to in this Article VII shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the representative to repay such amount if it is ultimately determined that he or she is not entitled to be indemnified by the Corporation as authorized in this Article VII or otherwise.

7.5 Procedure for Effecting Indemnification. Unless ordered by a court, any indemnification under Section 7.1, Section 7.2 or Section 7.3 of these Bylaws shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the representative is proper in the circumstances because he or she has met the applicable standard of conduct set forth in such subsections. Such determination shall be made:

- (a) By the Board of Directors by a majority of a quorum consisting of directors who were not parties to such action, suit or proceeding; or
- (b) If such a quorum is not obtainable, or if obtainable and a majority vote of a quorum of disinterested directors so directs, by independent legal counsel in a written opinion.

7.6 Indemnification Not Exclusive. The indemnification and advancement of expenses provided by or granted pursuant to this Article VII shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any other provision of these Bylaws, agreement, vote of disinterested directors or

otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office shall continue as to a person who has ceased to be a representative of the Corporation and shall inure to the benefit of the heirs and personal representatives of such person.

7.7 When Indemnification Not Made. Indemnification pursuant to this Article VII shall not be made in any case where (a) the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness or (b) indemnification would jeopardize the Corporation's tax exempt status under Section 501(a) of the Code or result in the Corporation's failure to be described in Section 501(c)(3) of the Code.

7.8 Grounds for Indemnification. Indemnification pursuant to this Article VII, under any other provision of these Bylaws, agreement, vote of directors or otherwise may be granted for any action taken or any failure to take any action and may be made whether or not the Corporation would have the power to indemnify the person under any provision of law except as otherwise provided in this Article VII and whether or not the indemnified liability arises or arose from any threatened, pending or completed action by or in the right of the Corporation. The provisions of this Article VII shall be applicable to all actions, suits or proceedings within the scope of Section 7.1, Section 7.2 or Section 7.3 of these Bylaws, whether commenced before or after the adoption hereof, whether arising from acts or omissions occurring before or after the adoption hereof.

7.9 Power to Purchase Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a representative of the Corporation or is or was serving at the request of the Corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article VII.

7.10 Creation of a Fund to Secure or Insure Indemnification. The Corporation may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise secure or insure in any manner its indemnification obligations, whether arising under or pursuant to this Article VII or otherwise.

7.11 Status of Rights of Indemnities. The rights to indemnification and advancement of expenses provided by or granted pursuant to this Article VII shall (a) be deemed to create contractual rights in favor of each person who serves as a representative of the Corporation at any time while this Article is in effect (and each such person shall be deemed to be so serving in reliance on the provisions of this Article), and (b) continue as to a person who has ceased to be a representative of the Corporation.

7.12 Applicability to Predecessor Companies. For purposes of this Article VII, references to the "Corporation" includes all constituent corporations or other entities which shall have become a part of the Corporation by consolidation or merger or other similar transaction and their respective current and former affiliates, and references to "representatives" shall

include members of any such corporation, entity or affiliate, so that any person who was a member, director, officer, employee, agent or other representative of such a corporation, entity or affiliate or served as a member, director, officer, employee, agent or other representative of another corporation, partnership, joint venture, trust or other enterprise at the request of any such corporation, entity or affiliate shall stand in the same position under the provisions of this Article VII with respect to the Corporation as he or she would if he or she had served the Corporation in the same capacity. Without limitation of the foregoing, each member, director, officer and employee of each predecessor to the Corporation shall have the same contract rights as are afforded to directors, officers and employees of the Corporation pursuant to Section 7.11 of these Bylaws.

ARTICLE VIII

CONTRACTS, LOANS, CHECKS AND DEPOSITS

8.1 Contracts. Subject to Section 3.3 of these Bylaws, the Board of Directors may authorize any officer or officers or agent or agents to enter into any contract or execute or deliver any agreement or instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

8.2 Loans. Subject to Section 3.3(j) of these Bylaws, the Board of Directors may authorize the borrowing by the Corporation of such sum or sums of money as the Board of Directors may deem advisable, and to mortgage or pledge any or all of the real or personal property and any or all of the other available assets of the Corporation in order to secure the payment of the principal amount of any such borrowing and the interest thereon and any and all such other amounts as may become due on account thereof.

8.3 Checks. All checks, drafts or other orders for the payment of money, notes or other evidence of indebtedness shall be issued in the name of the Corporation and shall be signed by such officer or officers or agent or agents of the Corporation and in such manner as from time to time shall be determined by the Board of Directors.

8.4 Deposits. All funds of the Corporation shall be deposited to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may approve.

ARTICLE IX

NOTICE AND CONDUCT OF MEETINGS

9.1 Written Notice. Except as otherwise provided in these Bylaws, whenever written notice is required to be given by any person under the provisions of any statute or these Bylaws, it may be given by sending a copy thereof through the mail or overnight delivery or by hand delivery, in each case with charges prepaid, or by facsimile transmission confirmed by one of the foregoing methods, to the individual's address appearing on the books of the Corporation or supplied by the individual to the Corporation for the purpose of notice.

9.2 Written Waiver of Notice. Whenever any written notice is required as set forth in these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

9.3 Waiver of Notice by Attendance. Attendance of a person in person at any meeting shall constitute a waiver of notice of such meeting except when a person attends the meeting for the express purpose of objecting to the transaction of any business because the meeting has not been lawfully called or convened.

9.4 Procedure. All meetings of the Board of Directors and the committees thereof shall be conducted in an orderly manner with a view to affording full and fair discussion of the matters properly before such meetings.

ARTICLE X

MISCELLANEOUS

10.1 No Contract Rights. Except as specifically set forth in Sections 4.2, 4.4(b), 4.5, 4.7(b), 4.8 and 7.11 of these Bylaws, no provision of these Bylaws shall vest any property or contract right in any person.

10.2 Corporate Seal. The Board of Directors shall prescribe the form of a suitable corporate seal, which shall contain the full name of the Corporation and the year and state of incorporation.

10.3 Fiscal Year. The fiscal year of the Corporation shall end on such day as shall be fixed by the Board of Directors.

ARTICLE XI

AMENDMENTS

11.1 Amendments. Subject to Section 7.1(a) of the Affiliation Agreement, these Bylaws may be altered, amended or repealed, or new Bylaws may be adopted, only by the Member.

ARTICLE XII

CONFLICTS OF INTEREST

12.1 Disclosure. In connection with any actual or possible conflict of interest, an interested person must disclose the existence and nature of his or her financial interest to the Board of Directors and any relevant committee members. For this purpose, an interested person shall include any director, officer, or member of a committee of the Corporation or an entity affiliated with the Corporation who has a direct or indirect financial interest in a proposed transaction. A financial interest shall include: (a) an ownership or investment interest in any

entity with which the Corporation has a proposed transaction or arrangement; (b) a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a proposed transaction or arrangement; and (c) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement. If a person is an interested person with respect to any entity in the health care system of which the Corporation is a part, he or she is an interested person with respect to all entities in the health care system.

12.2 Recusal and Investigation. After disclosure of the financial interest, the interested person shall leave the Board of Directors or committee meeting while the financial interest is discussed and voted upon. The remaining directors or committee members shall decide if a conflict of interest exists. If a conflict of interest exists, the following procedures shall be followed: (a) the Chief Executive Officer shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement; (b) after exercising due diligence, the Board of Directors or committee shall determine whether the Corporation could obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest; and (c) if a more advantageous transaction or arrangement is not reasonably attainable, the Board of Directors or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Corporation's best interests and for its own benefit and whether the transaction is fair and reasonable to the Corporation and shall decide as to whether to enter into the transaction or arrangement in conformity with such determination.

12.3 Failure to Disclose. If a director or committee member has reasonable cause to believe that an interested person has failed to disclose actual or possible conflicts of interest, he shall inform the interested person of the basis of such belief and afford the interested person an opportunity to explain the alleged failure to disclose. If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the Board of Directors or committee determines that the interested person has in fact failed to disclose an actual or possible conflict of interest, the Board of Directors shall take appropriate steps to protect the Corporation.

12.4 Record of Actions. The minutes of the Board of Directors and all relevant committees shall contain the following: (a) the names of persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Board of Directors' or committee's decision as to whether a conflict of interest in fact existed; and (b) the names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.

12.5 Compensation. Special procedures shall be in effect with respect to compensation issues. A voting member of the Board of Directors or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation. Physicians who receive compensation from the Corporation,

whether directly or indirectly or as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

12.6 Annual Statements. Each interested person shall annually sign a statement that affirms that such person (a) has received a copy of the conflicts of interest policy, (b) has read and understands the policy, (c) has agreed to comply with the policy, and (d) understands that the Corporation is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes. This policy shall be reviewed annually for the information and guidance of members of the Board of Directors, and any new member shall be advised of the policy upon entering on the duties of his office. In addition, the Corporation shall conduct periodic reviews of its activities, including any transactions or arrangements with interested persons, to ensure that its activities in the aggregate promote and further the Corporation's exempt charitable, scientific, and educational purposes.

TAB M

DRAFT
1/15/13

**AMENDED AND RESTATED
BYLAWS
OF
WEST PENN ALLEGHENY HEALTH SYSTEM, INC.**

Effective Date: _____, 20__

TABLE OF CONTENTS

ARTICLE I NAME AND PURPOSES1
 1.1 **Name**.....1
 1.2 **Purposes**.....1

ARTICLE II OFFICES2
 2.1 **Registered Office**.....2
 2.2 **Business Offices**.....2

ARTICLE III MEMBERS2
 3.1 **Membership**.....2
 3.2 **Meetings**.....2
 3.3 **Powers**.....3

ARTICLE IV BOARD OF DIRECTORS5
 4.1 **Powers and Duties**.....5
 4.2 **Election of Directors**.....6
 4.3 **Number/Qualifications**.....7
 4.4 **Election and Term**.....7
 4.5 **Vacancies**.....8
 4.6 **Meetings**.....8
 4.7 **Resignation/Removal**.....9
 4.8 **Limitation of Liability**.....9
 4.9 **Compensation**10

ARTICLE V OFFICERS10
 5.1 **Officers; Election**.....10
 5.2 **Responsibilities of Officers**.....10
 5.3 **Removal of Officers**.....11
 5.4 **Bonds**.....12

ARTICLE VI COMMITTEES.....12
 6.1 **Committees**.....12
 6.2 **Term**.....12
 6.3 **Quorum and Action**.....12
 6.4 **Action by Unanimous Written Consent**.....13
 6.5 **Removal**.....13
 6.6 **Vacancies**.....13
 6.7 **Exclusions from Committee Membership**.....13
 6.8 **Corporate Governance and Nominating Committee**.....13
 6.9 **Audit Committee**.....14
 6.10 **Personnel and Compensation Committee**.....14

ARTICLE VII INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS	14
7.1 <u>Right to Indemnification - General</u>	14
7.2 <u>Right to Indemnification - Third Party Actions</u>	15
7.3 <u>Right to Indemnification - Derivative Actions</u>	15
7.4 <u>Advance of Expenses</u>	16
7.5 <u>Procedure for Effecting Indemnification</u>	16
7.6 <u>Indemnification Not Exclusive</u>	16
7.7 <u>When Indemnification Not Made</u>	16
7.8 <u>Grounds for Indemnification</u>	17
7.9 <u>Power to Purchase Insurance</u>	17
7.10 <u>Creation of a Fund to Secure or Insure Indemnification</u>	17
7.11 <u>Status of Rights of Indemnities</u>	17
7.12 <u>Applicability to Predecessor Companies</u>	17
 ARTICLE VIII MEDICAL STAFFS.....	 18
8.1 <u>Medical Staffs Generally</u>	18
8.2 <u>Organization of Medical Staff</u>	18
8.3 <u>Appointment to Medical Staff</u>	18
8.4 <u>Denial of Privileges</u>	19
 ARTICLE IX PATIENT’S BILL OF RIGHTS.....	 19
 ARTICLE X CONTRACTS, LOANS, CHECKS AND DEPOSITS	 19
10.1 <u>Contracts</u>	19
10.2 <u>Loans</u>	19
10.3 <u>Checks</u>	19
10.4 <u>Deposits</u>	20
 ARTICLE XI NOTICE AND CONDUCT OF MEETINGS.....	 20
11.1 <u>Written Notice</u>	20
11.2 <u>Written Waiver of Notice</u>	20
11.3 <u>Waiver of Notice by Attendance</u>	20
11.4 <u>Procedure</u>	20
 ARTICLE XII MISCELLANEOUS	 20
12.1 <u>No Contract Rights</u>	20
12.2 <u>Corporate Seal</u>	21
12.3 <u>Fiscal Year</u>	21
12.4 <u>Auxiliary Organizations</u>	21
 ARTICLE XIII AMENDMENTS	 21
13.1 <u>Amendments</u>	21
 ARTICLE XIV CONFLICTS OF INTEREST.....	 21

14.1	<u>Disclosure</u>	21
14.2	<u>Recusal and Investigation</u>	22
14.3	<u>Failure to Disclose</u>	22
14.4	<u>Record of Actions</u>	22
14.5	<u>Compensation</u>	22
14.6	<u>Annual Statements</u>	23

AMENDED AND RESTATED BYLAWS
OF
WEST PENN ALLEGHENY HEALTH SYSTEM, INC.

ARTICLE I
NAME AND PURPOSES

1.1 **Name.**

The name of the Corporation is West Penn Allegheny Health System, Inc. The Corporation may do business under such other names as may be determined by the Board of Directors.

1.2 **Purposes.**

The Corporation is organized under the Pennsylvania Nonprofit Corporation Law, (the "Nonprofit Corporation Law") for scientific, educational and charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and in this connection is organized:

(a) To provide, maintain, operate, and support, directly and through its controlled affiliates, the provision, maintenance, management, and operation of, on a nonprofit basis, in-patient and out-patient hospital facilities and health care services for the benefit of persons who require medical care and services of the kind customarily furnished most effectively by hospitals, without regard to race, creed, color, sex, age, religion, national origin, sexual orientation, ability to pay, or any other criteria not related to medical indications for admission or treatment;

(b) To carry on educational and scientific activities related to the care of the sick and injured;

(c) To carry on scientific research related to the care of the sick and injured;

(d) To carry on activities designed to promote the general health of the communities in which it operates;

(e) To operate as part of the nonprofit regional health care system governed by [*name of Ultimate Parent Entity*], a Pennsylvania nonprofit corporation ("Ultimate Parent"), and support a health care provider network comprised of the Corporation and those corporations and other entities over which the Corporation exercises governance control (the "subsidiaries"), each of which (i) operates, raises funds for, or conducts activities otherwise ancillary to the operation of, health care facilities in order to extend health care to sick, injured and disabled persons, without regard to age, sex, race, religion, national origin or sexual orientation, or (ii) carries on educational and/or scientific research activities related to the causes, diagnosis,

treatment, prevention or control of physical or mental diseases and impairments of persons, and each of which is an organization exempt from taxation under Section 501(c)(3) of the Code and classified as other than private foundations under Section 509(a)(1), 509(a)(2) or 509(a)(3) of the Code;

(f) To carry out such other acts and to undertake such other activities as may be necessary, appropriate or desirable in furtherance of or in connection with the conduct, promotion or attainment of the foregoing purposes, provided, that none of such activities shall be undertaken which would cause the Corporation to lose its status as an organization described in Section 501(c)(3) of the Code, or as an organization contributions to which are deductible under Section 170(c)(2) of the Code; and

(g) To otherwise operate exclusively for charitable, scientific or educational purposes within the meaning of Section 501(c)(3) of the Code.

ARTICLE II OFFICES

2.1 Registered Office.

The registered office of the Corporation shall at all times be within the Commonwealth of Pennsylvania at such address as may be established by the Board of Directors.

2.2 Business Offices.

The Corporation may have business offices at such places permitted by law as the business of the Corporation may require.

ARTICLE III MEMBERS

3.1 Membership.

The Corporation shall have one (1) member, which shall be [*name of Provider Subsidiary*] (the "Member"). There shall be no other members or classes of membership. The Chief Executive Officer or the President of the Member shall be entitled to vote on behalf of the Member in accordance with the authority granted to the Chief Executive Officer or the President of the Member unless the Member notifies the Corporation in writing that another officer is authorized to vote on behalf of the Member.

3.2 Meetings.

(a) Annual Meeting. The annual meeting of the Member of the Corporation shall be held immediately following the annual meeting of the Board of Directors of the Member, or at such other time as the Member may determine, to elect members of the Board of

Directors and officers of the Corporation, and to transact such other business as may come before the meeting.

(b) Special Meetings. Special meetings of the Member may be called by the Chairperson of the Board of the Corporation, one-third (1/3) of the members of the Board of Directors of the Corporation or by one-third (1/3) of the members of the Board of Directors of the Member.

(c) Notice of Meetings. Notice of any meeting of the Member shall be given by, or at the direction of, the Secretary of the Corporation at least then (10) days prior to the day named for a meeting that will consider a fundamental change under Chapter 59 of the Nonprofit Corporation Law or five days prior to the day named for the meeting in any other case.

(d) Written Consent. Any action which may be taken at a meeting of the Member may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by the Member and filed with the Secretary.

3.3 Powers.

(a) Reserved Powers of Member. For so long as such rights and powers do not result in the revocation of the Corporation's status as an organization described in Section 501(c)(3) of the Code, the Member shall have the right and power to make recommendations to Ultimate Parent with respect to actions by Ultimate Parent on the matters reserved to Ultimate Parent under Section 3.3(b) of these Bylaws. Ultimate Parent shall have no obligation to approve any such recommendations, and Ultimate Parent may take actions that have not been recommended by, or that are contrary to recommendations of, the Member.

(b) Reserved Powers of Ultimate Parent. For so long as such rights and powers do not result in the revocation of the Corporation's status as an organization described in Section 501(c)(3) of the Code, the following rights and powers are reserved to Ultimate Parent:

(i) Subject to the provisions of Section [4.2 and 4.3] of these Bylaws, to determine the number of directors that will comprise the Board of Directors of the Corporation;

(ii) Subject to the provisions of Section [4.2, 4.3, 4.4 and 4.5] of these Bylaws, to elect the directors of the Corporation;

(iii) Subject to Sections [4.2 and 4.7(b)] of these Bylaws, to remove of any of the directors of the Corporation to replace any such director for the unexpired portion of his or her term;

(iv) To approve the election, re-election and removal of all officers, including the Chief Executive Officer, of the Corporation and the subsidiaries in accordance with Article V;

(v) Subject to Section [7.1(a)] of the Affiliation Agreement, dated as of October 31, 2011, among Ultimate Parent, the Corporation, Highmark Inc., Member,

Canonsburg General Hospital, Alle-Kiski Medical Center and the other WPAHS Subsidiaries as defined therein (the “Affiliation Agreement”), to amend, revise or restate the Corporation’s and the subsidiaries’ Articles of Incorporation and Bylaws; provided however, that Ultimate Parent shall have no power to amend, revise or restate Section 4.2(b), Section 4.7(b)(i), or this proviso of Section 3.3(b)(v) of these Bylaws, each of which may be amended only upon the concurrent approval of both (a) a majority of those Directors of the Corporation that are elected by UPE to serve as Directors, voting as a class, and (b) a majority of the Self-Perpetuating Directors (as defined in Section 4.2(b)), voting as a class;

(vi) Subject to Section [7.5(i)] of the Affiliation Agreement, to adopt or change the mission, purpose, philosophy or objectives of the Corporation or the subsidiaries;

(vii) Subject to Sections [7.5(i) and 7.6] of the Affiliation Agreement, to change the general structure of the Corporation or any of the subsidiaries as a voluntary, nonprofit corporation;

(viii) Subject to Sections [7.5(i) and 7.6] of the Affiliation Agreement, to (1) dissolve, divide, convert or liquidate the Corporation or the subsidiaries, (2) consolidate or merge the Corporation or the subsidiaries with another corporation or entity, (3) sell or acquire assets, whether in a single transaction or series of transactions, where the consideration exceeds 1% of the Corporation’s consolidated total assets;

(ix) To approve the annual consolidated capital and operating plan and budget of the Corporation and the subsidiaries, and any amendments thereto or significant variances therefrom;

(x) Subject to Section [7.6] of the Affiliation Agreement, to approve the incurrence of debt by the Corporation and the subsidiaries or the making of capital expenditures by the Corporation and the subsidiaries during any fiscal year of the Corporation, in either case in excess of one quarter of 1% of the consolidated annual operating budget of the Corporation for such fiscal year, if such debt or capital expenditures are not included in the Corporation’s or subsidiaries’ approved budgets, whether in a single transaction or a series of related transactions;

(xi) Subject to Section [7.6] of the Affiliation Agreement, to approve any donation or any other transfer of the Corporation’s or the subsidiaries’ assets, other than to the Member or to the Corporation by the subsidiaries, in excess of \$10,000.00, unless specifically authorized in the Corporation’s or the subsidiaries’ approved budgets;

(xii) Subject to Section [7.5] of the Affiliation Agreement, to approve strategic plans and mission statements of the Corporation and the subsidiaries;

(xiii) To approve investment policies of the Corporation and the subsidiaries;

(xiv) To approve the closure or relocation of a licensed healthcare facility of the Corporation and the subsidiaries;

(xv) Subject to Section [7.5(i) and 7.6] of the Affiliation Agreement, to approve the formation of subsidiary corporations, partnerships and joint ventures or to make investments in existing subsidiary corporations, partnerships and joint ventures, if the new investments of the Corporation and the subsidiaries in such subsidiary corporations, partnerships and joint ventures during any fiscal year would, in the aggregate, exceed 1% of the Corporation's consolidated total assets at the end of the prior fiscal year of the Corporation;

(xvi) Subject to Section [7.5(i) and 7.6] of the Affiliation Agreement, to approve the dissolution of subsidiary corporations, partnerships and joint ventures of the Corporation and the subsidiaries, if the aggregate value of the ownership interests of the Corporation and the subsidiaries in such subsidiary corporations, partnerships and joint ventures so dissolved in any fiscal year would exceed 1% of the Corporation's consolidated total assets at the end of the prior fiscal year;

(xvii) To establish and manage the Corporation's program for compliance with all legal requirements applicable to the Corporation and the hospitals operated by the Corporation (the "Corporation Hospitals"), all accreditation and licensing requirements and the conditions of participation in all governmental payor programs applicable to the Corporation or the Corporation Hospitals;

(xviii) To select and appoint auditors and to designate the fiscal year of the Corporation and the subsidiaries; and

(xix) To give such other approvals and take such other actions as are specifically reserved to members of Pennsylvania nonprofit corporations under the Nonprofit Corporation Law.

Except as may otherwise be provided by the Nonprofit Corporation Law, Ultimate Parent shall have the right to both initiate and approve action in furtherance of such reserved powers, as well as the authority to directly bind the Corporation and the subsidiaries on such matters. Any action taken in this regard by Ultimate Parent shall be sufficient to finally approve and adopt such actions and no action of the Board of Directors or other governing body or officer with respect to such action shall be necessary with respect thereto.

ARTICLE IV

BOARD OF DIRECTORS

4.1 **Powers and Duties.**

Subject to Section 3.3 of these Bylaws, all powers of the Corporation shall be vested in the Board of Directors, which shall have charge, control and management of the property, business, affairs and funds of the Corporation and shall have the power and authority to perform all necessary and appropriate functions not otherwise inconsistent with these Bylaws, the Articles of Incorporation or applicable law.

Subject to Section 3.3 of these Bylaws, and without limiting the generality of the foregoing and except as otherwise may be provided in these Bylaws, the Board of Directors shall have full power and the duty:

- (a) To set policies and provide for carrying out the purposes of the Corporation;
- (b) To make rules and regulations for its own governance and for the governance of the committees appointed by the Board of Directors as provided herein;
- (c) To adopt and amend from time to time such rules and regulations for the conduct of the business of the Corporation as may be appropriate or desirable.
- (d) To manage the Medical Staffs as contemplated in Article VIII hereof;
- (e) To adopt, amend, repeal and restate the Medical Staff Bylaws, as proposed by the Medical Staff pursuant to these Bylaws;
- (f) To maintain the quality of patient care; and
- (g) To periodically reexamine the relationship of the Board of Directors to the communities of the Corporation Hospitals.

4.2 **Election of Directors.**

(a) **General.** Subject to the limitations set forth in this Section 4.2 of these Bylaws, Ultimate Parent shall elect all directors.

(b) **Self-Perpetuating Directors.** Not less than 25% of the Board of Directors shall consist of directors ("**Self-Perpetuating Directors**") who are elected in accordance with this Section 4.2(b). The initial Self-Perpetuating Directors shall be designated by the Board of Directors of this Corporation immediately prior to [*Closing Date*] and shall be community representatives and physicians affiliated with the Corporation. Any vacancy in the Board of Directors caused by the death, resignation or removal of a Self-Perpetuating Director or by the expiration of the term of a Self-Perpetuating Director shall be filled by a person designated by a majority of the remaining Self-Perpetuating Directors. If the number of directors is increased or decreased, additional Self-Perpetuating Directors shall be elected or existing Self-Perpetuating Directors may be removed, as the case may be, by a majority of the existing Self-Perpetuating Directors, such that the number of Self-Perpetuating Directors is as close as possible to, but not less than, 25% of all directors on the Board of Directors after such increase or decrease. Until [*date that is four years after the Closing Date*], any new Self-Perpetuating Director must be a community representative or a physician affiliated with the Corporation. At no time shall any Self-Perpetuating Director or his or her successor in perpetuity contemporaneously be a trustee, director, agent or employee of Ultimate Parent, Provider Subsidiary or any of their respective related entities (except for such Self-Perpetuating Directors' service on the Corporation's Board of Directors).

4.3 Number/Qualifications.

(a) Composition. Subject to Section 4.2 of these Bylaws, the Board of Directors shall consist of such number of persons as the Ultimate Parent may determine, but in no case less than three (3).

(b) Certain Qualifications. No individual may be elected to the Board of Directors unless the individual is eligible to serve on the Board of Directors pursuant to applicable law, the Articles of Incorporation and these Bylaws. Each director shall be a natural person of at least 18 years of age.

(c) Independence. At least a majority of the directors shall be persons whom the Board of Directors has determined are “independent directors” within the meaning of such term as defined by the Internal Revenue Service for exempt organizations under Section 501(c)(3) of the Code, and as such, are broadly representative of the community. No director, other than the Ex-Officio Director, shall be an officer or employee of the Corporation or any entity controlled by the Corporation.

(d) Common Directors With Member and Ultimate Parent. The members of the Board of Directors must include at least one person who is also serving as a member of the board of directors of Member and Ultimate Parent. The same member of the Board of Directors need not be serving on both such boards.

(e) SEC Actions. Any person who is, or ever has been, subject to an order of a court or the Securities and Exchange Commission prohibiting such person from acting as an officer or director of a public company shall not be eligible to serve as a director.

(f) Age Limitations. No person who is seventy-five (75) years of age or older may be nominated or re-nominated for election or re-election as a director. Any director who reaches the age of seventy-five (75) shall no longer be qualified to serve as a director after the next annual meeting of the Board of Directors.

4.4 Election and Term.

(a) Term of Directors. The Board of Directors shall be divided, as evenly as practicable, into three classes and shall serve staggered terms. Except as otherwise indicated in this Section 4.4(a), at the end of their respective initial terms, all directors shall serve for terms of three (3) years or until their successors are elected and have qualified.

(b) Chairperson. The Board of Directors shall elect from among the directors an individual to serve as Chairperson of the Board. The Chairperson shall not be an employee of the Corporation. The Chairperson shall preside at all meetings of the Board of Directors and shall perform all duties incident to the office of Chairperson of the Board and such other duties as may be prescribed by the Board of Directors.

(c) Vice Chairperson. The Board of Directors may elect from among the directors a Vice Chairperson of the Board. The Vice Chairperson shall not be an employee of the Corporation. The Vice Chairperson shall perform the duties of the office of Chairperson of

the Board in the absence of the Chairperson of the Board and such other duties as may be prescribed by the Board of Directors.

4.5 Vacancies.

Any vacancy in the Board of Directors caused by the death, resignation or removal of a director or a director ceasing to qualify to serve as a director prior to the expiration of that director's term between annual meetings of Ultimate Parent shall be filled by an individual elected by Ultimate Parent, except as otherwise provided in Section 4.2(b) of these Bylaws with respect to Self-Perpetuating Directors.

4.6 Meetings.

(a) Annual Meetings. The annual organizational meeting of the Board of Directors shall be held on such other date as the Board of Directors may determine, at such time and place as shall be determined by the Board of Directors, without further notice than the resolution setting such date, time and place.

(b) Regular Meetings. Regular meetings of the Board of Directors shall be held not less than four (4) times a year, each at such date, time and place as shall be determined by the Board of Directors, without further notice than the resolution setting such date, time and place.

(c) Special Meetings. Special meetings of the Board of Directors may be called at any time by the Chairperson of the Board, the Chief Executive Officer or one-third (1/3) of the members of the Board of Directors, the date, time and place of each such meeting to be designated in the notice calling the meeting. Notice of any special meeting of the Board of Directors shall be given at least forty-eight (48) hours prior thereto and shall state the general nature of the business to be transacted.

(d) Adjournment. When a meeting of the Board of Directors is adjourned, it shall not be necessary to give any notice of the adjourned meeting or the business to be transacted at the adjourned meeting other than by announcement at the meeting at which such adjournment is taken.

(e) Quorum. Directors constituting a majority of the directors in office shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

(f) Voting and Action. Each director shall be entitled to one vote on any matter submitted to a vote of the Board of Directors, and action by the Board of Directors on any matter shall require the affirmative vote of a majority of the directors in office unless a greater proportion of affirmative votes is required by applicable law, the Articles of Incorporation or these Bylaws.

(g) Use of Conference Telephone. Except as the Board of Directors otherwise may determine, one or more persons may participate in a meeting of the Board of Directors or of any committee thereof by means of conference telephone or similar communications equipment

by means of which all persons participating in the meeting can hear and be heard by each other. Participation in a meeting in such manner shall constitute presence in person at the meeting.

(h) Action by Unanimous Written Consent. Any action which may be taken at a meeting of the Board of Directors may be taken without a meeting if a consent or consents in writing setting forth the action so taken shall be signed by all of the directors in office and filed with the Secretary.

4.7 Resignation/Removal.

(a) Resignation. Any director may resign his or her office at any time, such resignation to be made in writing and to take effect immediately or at such subsequent time stated in such writing. Any director who ceases to meet the eligibility requirements contained in applicable law or in these Bylaws to serve as a director forthwith shall resign his or her office, such resignation to be made in writing and to take effect immediately.

(b) Removal. Any director may be removed, with or without cause, by Ultimate Parent; provided, that only a majority of the other Self-Perpetuating Directors may remove a Self-Perpetuating Director, whether with or without “cause.” For this purpose “cause” shall mean:

- a) the director is declared of unsound mind by an order of court;
- b) the director is indicted for, or convicted of, or enters a plea of guilty or nolo contendere to, a felony;
- c) the director engages in fraudulent or dishonest acts or in any act of moral turpitude;
- d) the director engages in gross abuse of authority or discretion with respect to the Corporation;
- e) the director violates the Corporation’s Code of Conduct Policy;
- f) the director fails to attend four consecutive meetings of the Board of Directors;
- g) the director engages in other conduct that is detrimental to the best interests of the Corporation or its reputation; or
- h) the director has breached such director’s duties under Section 5712 of the Nonprofit Corporation Law.

4.8 Limitation of Liability.

(a) Limitation of Liability. To the fullest extent that the laws of the Commonwealth of Pennsylvania, as now in effect or as hereafter amended, permit elimination or

limitation of the liability of directors, no director of the Corporation shall be personally liable for monetary damages as such for any action taken, or any failure to take any action, as a director.

(b) Nature and Extent of Rights. The provisions of this Section 4.8 shall be deemed to be a contract with each director of the Corporation who serves as such at any time while this Section is in effect and each such director shall be deemed to be so serving in reliance on the provisions of this Section. Any amendment or repeal of this Section or adoption of any Bylaw or provision of the Articles of the Corporation which has the effect of increasing director liability shall operate prospectively only and shall not affect any action taken, or any failure to act, prior to the adoption of such amendment, repeal, Bylaw or provision.

4.9 Compensation.

The Board of Directors may determine the compensation of directors for their services as directors, members of committees of the Board of Directors or otherwise, and also may determine the compensation of persons who are not directors who serve on any committees established by the Board of Directors; provided that such compensation is reasonable compensation within the meaning of Section 4958 of the Code.

ARTICLE V OFFICERS

5.1 Officers; Election.

The principal officers of the Corporation shall be a Chief Executive Officer, a Chief Financial Officer, a Treasurer and a Secretary, each of whom shall be elected by the Board of Directors, subject to the approval of Ultimate Parent, and such other officers as the Board of Directors, subject to the approval of Ultimate Parent, may elect, which may include one or more Presidents, one or more Executive, Senior or Corporate Vice Presidents, and one or more Assistant Treasurers or Assistant Secretaries. Each such officer shall hold office for a term of one year (or such other term as the Board of Directors shall determine for any office from time to time) and until his or her successor has been selected and qualified or until his or her earlier death, resignation or removal. Any number of offices may be held by the same person.

5.2 Responsibilities of Officers.

(a) Chief Executive Officer. The Chief Executive Officer shall be responsible for the general and active management of the business and affairs of the Corporation and shall exercise general supervision and authority over all of its agents and employees and shall perform all duties incident to the office of Chief Executive Officer and such other duties as may be assigned by the Member or the Board of Directors. The Chief Executive Officer shall supervise the implementation of all policies, orders and resolutions of the Board of Directors and shall execute all contracts and agreements authorized by the Board of Directors, except that he or she may delegate to other officers of the Corporation the power to execute contracts in the ordinary course of business or as otherwise may be authorized by the Board of Directors.

(b) President(s). The President(s) shall be responsible for the direct administration, supervision and control of such activities in the management of the Corporation as may be assigned by the Chief Executive Officer or the Board of Directors.

(c) Chief Financial Officer. The Chief Financial Officer shall be responsible for financial accounting and reporting for the Corporation and such other duties as may be assigned by the Chief Executive Officer or the Board of Directors.

(d) Vice Presidents. Each Vice President shall perform such duties as may be assigned by the Chief Executive Officer or the Board of Directors.

(e) Treasurer. The Treasurer shall, in accordance with the policies of the Board of Directors and under the direction of the Chief Executive Officer or the Chief Financial Officer, have general charge and custody of and be responsible for all funds and securities of the Corporation, and shall make such reports in such form and manner as the Chief Executive Officer, the Chief Financial Officer or the Board of Directors may direct. The Treasurer shall receive and give receipts for monies due and payable to the Corporation and deposit such monies in the name of the Corporation in such banks, trust companies or other depositories as may be selected in accordance with the provisions of these Bylaws. The Treasurer shall keep account of such receipts and deposits and approve expenditures of the Corporation and shall perform all duties incident to the office of Treasurer and such other duties as may be assigned by the Chief Executive Officer, the Chief Financial Officer or the Board of Directors.

(f) Secretary. The Secretary shall keep the minutes of the meetings of the Board of Directors and its committees in one or more books provided for that purpose, shall notify members of the Board of Directors of their election, shall see that all notices are duly given in accordance with the provisions of these Bylaws, shall be custodian of the corporate records and of the seal of the Corporation, and shall see that the seal of the Corporation is affixed, when necessary, to all instruments and documents the execution of which has been authorized by the Board of Directors or a committee thereof, shall keep a record of the address of each director, and shall perform all duties incident to the office of Secretary and such other duties as may be assigned by the Chief Executive Officer or the Board of Directors. In the absence of the Secretary or in the event of his or her inability to act, the Chairperson of the Board of Directors shall appoint an individual to discharge the duties of the Secretary.

(g) Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries and Assistant Treasurers shall perform such duties as may be assigned by the Secretary or the Treasurer, respectively, or by the Chief Executive Officer or the Chief Financial Officer, as appropriate, or the Board of Directors.

5.3 Removal of Officers.

Any officer of the Corporation (including the Chief Executive Officer) may be removed, with or without cause, by the Board of Directors, subject to the approval of Ultimate Parent, without prejudice to such officer's contractual rights, if any.

5.4 **Bonds.**

The Board of Directors may require any officer to give bond and security in such sum and with such surety or sureties as the Board of Directors may determine.

ARTICLE VI
COMMITTEES

6.1 **Committees.**

(a) **Standing Board Committees.** The Board of Directors shall have a Corporate Governance and Nominating Committee, an Audit Committee and a Personnel and Compensation Committee and the Board of Directors may establish such other standing committees as it deems to be necessary or desirable (the "Standing Board Committees"). All Standing Board Committees shall be comprised solely of directors and shall have charters governing their powers and duties, which charters shall be approved by the Board of Directors. The Board of Directors shall appoint the members and a chairperson and a vice chairperson of each Standing Board Committee.

(b) **Special Committees and Program Committees.** The Board of Directors may establish one or more special committees of directors ("Special Committees") to advise the Board of Directors and to perform such other functions as the Board of Directors determines, including without limitation a Medical Education and Research Committee and a Quality and Satisfaction Committee. The Board of Directors may establish one or more committees, which may include directors and persons who are not directors, to assist it with aspects of the Corporation's operations ("Program Committees"). Subject to the provisions of these Bylaws, the Board of Directors may delegate such authority to a Special Committee or a Program Committee as it deems to be appropriate and desirable and as is not prohibited by applicable law. The Board of Directors shall establish the manner of selecting members, chairpersons and vice chairpersons, if any, and the terms of office of the members of each Special Committee and Program Committee.

6.2 **Term.**

Except as otherwise provided in these Bylaws, each member of a Standing Board Committee shall continue as such until the next annual meeting of the Board of Directors or until a successor has been appointed as provided herein, unless such person resigns, is removed or otherwise ceases to serve on such Standing Board Committee for any reason.

6.3 **Quorum and Action.**

Except as otherwise provided in these Bylaws or the charter of a committee approved by the Board of Directors, a majority of the members comprising any committee appointed by the Board of Directors pursuant to these Bylaws shall constitute a quorum for the transaction of business, and the acts of a majority of committee members present at a meeting at which a quorum is present shall constitute the acts of the committee, unless a greater proportion is required by applicable law, the Articles of Incorporation or these Bylaws.

6.4 Action by Unanimous Written Consent.

Except as otherwise provided in these Bylaws or a charter of a committee approved by the Board of Directors, any action which may be taken at a meeting of any committee appointed by the Board of Directors pursuant to these Bylaws may be taken without a meeting if a consent or consents in writing setting forth the action so taken shall be signed by all of the members of such committee and filed with the Secretary.

6.5 Removal.

Any member of a Standing Board Committee, Special Committee or Program Committee may be removed at any time, with or without cause, by the Board of Directors at any regular or special meeting.

6.6 Vacancies.

Any vacancy in any Standing Board Committee, Special Committee or Program Committee caused by the death, resignation or removal of a member of such committee prior to the expiration of that member's term shall be filled by another person appointed by the Board of Directors. The member so appointed shall serve the remaining unexpired term of the member so replaced.

6.7 Exclusions from Committee Membership.

Physicians who receive compensation from the Corporation, whether directly or indirectly or as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

6.8 Corporate Governance and Nominating Committee.

(a) Composition. The Corporate Governance and Nominating Committee shall consist of such number of directors, but in no case less than three (3), as may be determined by the Board of Directors. None of the members of the Corporate Governance and Nominating Committee shall be employees of the Corporation or of any entity controlled by the Corporation.

(b) Responsibilities. In addition to any responsibilities delegated to it by the Board of Directors, the Corporate Governance and Nominating Committee shall be responsible for:

(i) Recommending candidates for election as directors at each annual meeting of [*Ultimate Parent Entity*];

(ii) Recommending to [*Ultimate Parent Entity*] candidates for election as directors to fill any vacancies occurring on the Board of Directors; and

(iii) Recommending candidates for election or reelection as Chairperson of the Board and Vice Chairperson of the Board.

(c) Timing. At least fifteen (15) days before each annual, regular or special meeting of the Member, the Corporate Governance and Nominating Committee shall recommend the requisite number of individuals who satisfy the qualifications established in these Bylaws for election as directors of the Corporation.

6.9 Audit Committee.

(a) Composition. The Audit Committee shall consist of such number of directors, but in no case less than three (3), as the Board of Directors shall determine. None of the members of the Audit Committee shall be employees of the Corporation or of any entity controlled by the Corporation.

(b) Responsibilities. In addition to any responsibilities delegated to it by the Board of Directors, the Audit Committee shall be responsible for accepting the annual independent audit report of the Corporation's financial statements, as prepared by the external auditors, and render or cause to be rendered an audit report to the Board of Directors at its annual meeting.

6.10 Personnel and Compensation Committee.

(a) Composition. The Personnel and Compensation Committee shall consist of such number of directors, in no case less than three (3), as the Board of Directors shall determine. None of the members of the Personnel and Compensation Committee shall be employees of the Corporation or of any entity controlled by the Corporation or of any entity controlled by the Corporation and none may have a conflict of interest as defined in Section 4958 of the Code and applicable regulations.

(b) Responsibilities. In addition to any responsibilities delegated to it by the Board of Directors, the Personnel and Compensation Committee shall be responsible for:

(i) Evaluating the performance of the principal officers of the Corporation; and

(ii) Recommending to the Board of Directors for recommendation to Ultimate Parent the selection and compensation of the principal officers of the Corporation.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS

7.1 Right to Indemnification - General.

Any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (whether brought by or in the name of the Corporation or

otherwise), by reason of the fact that he or she is or was a representative of the Corporation, or is or was serving at the request of the Corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by the Corporation to the fullest extent now or hereafter permitted by applicable law in connection with such action, suit or proceeding arising out of such person's service to the Corporation or to such other corporation, partnership, joint venture, trust or other enterprise at the Corporation's request. The term "representative," as used in this Article VII, shall mean any director, officer, member of a committee created by or pursuant to these Bylaws, and any other person who may be determined by the Board of Directors to be a representative entitled to the benefits of this Article VII.

7.2 Right to Indemnification - Third Party Actions.

Without limiting the generality of Section 7.1 of these Bylaws, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that he or she is or was a representative of the Corporation, or is or was serving at the request of the Corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by the Corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

7.3 Right to Indemnification - Derivative Actions.

Without limiting the generality of Section 7.1 of these Bylaws, any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a representative of the Corporation, or is or was serving at the request of the Corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by the Corporation against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation; except, however, that indemnification shall not be made under this Section 7.3 in respect of any claim, issue or matter as to which such person has been adjudged to be liable to the Corporation unless and only to the extent that the Court of Common Pleas of the county in which the registered office of the Corporation is located or the court in which such action, suit or proceeding was brought determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to

indemnity for such expenses that the Court of Common Pleas or such other court shall deem proper.

7.4 Advance of Expenses.

Unless in a particular case advancement of expenses would jeopardize the Corporation's tax exempt status under Section 501(a) of the Code or result in the Corporation's failure to be described in Section 501(c)(3) of the Code, expenses (including attorneys' fees) incurred by any representative of the Corporation in defending any action, suit or proceeding referred to in this Article VII shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the representative to repay such amount if it is ultimately determined that he or she is not entitled to be indemnified by the Corporation as authorized in this Article VII or otherwise.

7.5 Procedure for Effecting Indemnification.

Unless ordered by a court, any indemnification under Section 7.1, Section 7.2 or Section 7.3 of these Bylaws shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the representative is proper in the circumstances because he or she has met the applicable standard of conduct set forth in such subsections. Such determination shall be made:

(a) By the Board of Directors by a majority of a quorum consisting of directors who were not parties to such action, suit or proceeding; or

(b) If such a quorum is not obtainable, or if obtainable and a majority vote of a quorum of disinterested directors so directs, by independent legal counsel in a written opinion.

7.6 Indemnification Not Exclusive.

The indemnification and advancement of expenses provided by or granted pursuant to this Article VII shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any other provision of these Bylaws, agreement, vote of disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office shall continue as to a person who has ceased to be a representative of the Corporation and shall inure to the benefit of the heirs and personal representatives of such person.

7.7 When Indemnification Not Made.

Indemnification pursuant to this Article VII shall not be made in any case where (a) the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness or (b) indemnification would jeopardize the Corporation's tax exempt status under Section 501(a) of the Code or result in the Corporation's failure to be described in Section 501(c)(3) of the Code.

7.8 Grounds for Indemnification.

Indemnification pursuant to this Article VII, under any other provision of these Bylaws, agreement, vote of directors or otherwise may be granted for any action taken or any failure to take any action and may be made whether or not the Corporation would have the power to indemnify the person under any provision of law except as otherwise provided in this Article VII and whether or not the indemnified liability arises or arose from any threatened, pending or completed action by or in the right of the Corporation. The provisions of this Article VII shall be applicable to all actions, suits or proceedings within the scope of Section 7.1, Section 7.2 or Section 7.3 of these Bylaws, whether commenced before or after the adoption hereof, whether arising from acts or omissions occurring before or after the adoption hereof.

7.9 Power to Purchase Insurance.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a representative of the Corporation or is or was serving at the request of the Corporation as a representative of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article VII.

7.10 Creation of a Fund to Secure or Insure Indemnification.

The Corporation may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise secure or insure in any manner its indemnification obligations, whether arising under or pursuant to this Article VII or otherwise.

7.11 Status of Rights of Indemnities.

The rights to indemnification and advancement of expenses provided by or granted pursuant to this Article VII shall (a) be deemed to create contractual rights in favor of each person who serves as a representative of the Corporation at any time while this Article is in effect (and each such person shall be deemed to be so serving in reliance on the provisions of this Article), and (b) continue as to a person who has ceased to be a representative of the Corporation.

7.12 Applicability to Predecessor Companies.

For purposes of this Article VII, references to the "Corporation" includes all constituent corporations or other entities which shall have become a part of the Corporation by consolidation or merger or other similar transaction and their respective current and former affiliates, and references to "representatives" shall include members of any such corporation, entity or affiliate, so that any person who was a member, director, officer, committee member or other representative of such a corporation, entity or affiliate or served as a member, director, officer, committee member or other representative of another corporation, partnership, joint venture, trust or other enterprise at the request of any such corporation, entity or affiliate shall stand in the same position under the provisions of this Article VII with respect to the Corporation as he or she would if he or she had served the Corporation in the same capacity. Without

limitation of the foregoing, each member, director, officer and committee member of each predecessor to the Corporation shall have the same contract rights as are afforded pursuant to Section 7.11 of these Bylaws.

ARTICLE VIII

MEDICAL STAFFS

8.1 Medical Staffs Generally.

The Board of Directors shall create one functional unit within Allegheny General Hospital (“AGH Medical Staff”) and one functional unit covering both The Western Pennsylvania Hospital - West Penn Campus, and The Western Pennsylvania Hospital - Forbes Regional Campus (“WPH Medical Staff”; the AGH Medical Staff and the WPH Medical Staff are sometimes hereinafter referred to collectively as the “Medical Staffs”; each a “Medical Staff”). The AGH Medical Staff and the WPH Medical Staff shall each be composed of physicians, dentists, and such other health care practitioners as determined by the Board of Directors. Each Medical Staff shall be delegated the responsibility for making recommendations at their respective Corporation Hospital(s) concerning clinical privileges, the medical staff appointment of practitioners, the quality of medical care delivered in the respective Corporation Hospital(s), and the rules and regulations governing the practice of practitioners within such Corporation Hospital(s). The AGH Medical Staff shall be an internal component of Allegheny General Hospital and the WPH Medical Staff shall be an internal component of The Western Pennsylvania Hospital - West Penn Campus and The Western Pennsylvania Hospital - Forbes Regional Campus. Each Medical Staff shall have bylaws outlining its structure and function so that it may fulfill its delegated responsibilities in an effective fashion. Only such Medical Staff Bylaws as are adopted by the Board of Directors shall be effective. The Board of Directors retains the right to rescind any authority or procedures delegated to either or both of the AGH Medical Staff or the WPH Medical Staff by bylaws or otherwise and to amend the bylaws as necessary for the good operation of the relevant Corporation Hospital. The power of the Board of Directors to adopt or amend Medical Staff bylaws, rules, and regulations, shall not be dependent upon ratification by the respective Medical Staff.

8.2 Organization of Medical Staff.

The AGH Medical Staff and the WPH Medical Staff shall be divided into clinical departments. The appointment of clinical department chairs and of all Medical Staff standing committee chairs for each Medical Staff shall be approved by the Board of Directors.

8.3 Appointment to Medical Staff.

All appointments to the AGH Medical Staff and to the WPH Medical Staff shall be made by the Board of Directors for a period not to exceed two years. Appointments, reappointments, and the delineation of privileges shall be made in accordance with such Corporation Hospital’s policy and/or its or their Medical Staff bylaws; provided, however, that nothing therein contained shall limit the legal rights and obligations of the Board of Directors with respect to such matters.

8.4 **Denial of Privileges.**

In the circumstances delineated in, as appropriate, the AGH Medical Staff bylaws or the WPH Medical Staff Bylaws and to the extent provided therein, an applicant to the Medical Staff or a Medical Staff member affected by an action relating to Medical Staff privileges shall be afforded the opportunity of a full hearing before an appropriately constituted body (which body may be a joint conference of other hospitals comprising part of the System), conducted in such manner as to assure due process and to afford full opportunity for the presentation of all pertinent information, pursuant to the specific Corporation Hospital policy or the respective Medical Staff bylaws. No recommendation or action other than as set forth in the relevant Medical Staff bylaws shall constitute grounds for a hearing.

ARTICLE IX

PATIENT'S BILL OF RIGHTS

The Chief Executive Officer shall designate one or more management individuals with the responsibility of ensuring that a Patient's Bill of Rights for each of the Corporation Hospitals not less in substance and coverage than required by the Pennsylvania Department of Health regulations is disseminated to all patients of the Hospital.

ARTICLE X

CONTRACTS, LOANS, CHECKS AND DEPOSITS

10.1 **Contracts.**

Subject to Section 3.3 of these Bylaws, the Board of Directors may authorize any officer or officers or agent or agents to enter into any contract or execute or deliver any agreement or instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

10.2 **Loans.**

Subject to Section 3.3 of these Bylaws and Section 7.6 of the Affiliation Agreement, the Board of Directors may authorize the borrowing by the Corporation of such sum or sums of money as the Board of Directors may deem advisable, and to mortgage or pledge any or all of the real or personal property and any or all of the other available assets of the Corporation in order to secure the payment of the principal amount of any such borrowing and the interest thereon and any and all such other amounts as may become due on account thereof.

10.3 **Checks.**

All checks, drafts or other orders for the payment of money, notes or other evidence of indebtedness shall be issued in the name of the Corporation and shall be signed by such officer or officers or agent or agents of the Corporation and in such manner as from time to time shall be determined by the Board of Directors.

10.4 **Deposits.**

All funds of the Corporation shall be deposited to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may approve.

ARTICLE XI

NOTICE AND CONDUCT OF MEETINGS

11.1 **Written Notice.**

Except as otherwise provided in these Bylaws, whenever written notice is required to be given by any person under the provisions of any statute or these Bylaws, it may be given by sending a copy thereof through the mail or overnight delivery or by hand delivery, in each case with charges prepaid, or by facsimile transmission confirmed by one of the foregoing methods, to the individual's address appearing on the books of the Corporation or supplied by the individual to the Corporation for the purpose of notice.

11.2 **Written Waiver of Notice.**

Whenever any written notice is required as set forth in these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

11.3 **Waiver of Notice by Attendance.**

Attendance of a person in person at any meeting shall constitute a waiver of notice of such meeting except when a person attends the meeting for the express purpose of objecting to the transaction of any business because the meeting has not been lawfully called or convened.

11.4 **Procedure.**

All meetings of the Board of Directors and the committees thereof shall be conducted in an orderly manner with a view to affording full and fair discussion of the matters properly before such meetings.

ARTICLE XII

MISCELLANEOUS

12.1 **No Contract Rights.**

Except as specifically set forth in Sections 4.2, 4.4(b), 4.5, 4.7(b), 4.8 and 7.11 of these Bylaws, no provision of these Bylaws shall vest any property or contract right in any person.

12.2 **Corporate Seal.**

The Board of Directors shall prescribe the form of a suitable corporate seal, which shall contain the full name of the Corporation and the year and state of incorporation.

12.3 **Fiscal Year.**

The fiscal year of the Corporation shall end on such day as shall be fixed by Ultimate Parent.

12.4 **Auxiliary Organizations.**

The Board may provide for the establishment of auxiliary organizations. The bylaws of any such organizations shall be subject to approval by the Board of Directors.

ARTICLE XIII

AMENDMENTS

13.1 **Amendments.**

Subject to Section 3.3 (b)(v) of these Bylaws and Section 7.1(a) of the Affiliation Agreement, these Bylaws may be altered, amended or repealed, or new Bylaws may be adopted, only by Ultimate Parent.

ARTICLE XIV

CONFLICTS OF INTEREST

14.1 **Disclosure.**

In connection with any actual or possible conflict of interest, an interested person must disclose the existence and nature of his or her financial interest to the Board of Directors and any relevant committee members. For this purpose, an interested person shall include any director, officer, or member of a committee of the Corporation or an entity affiliated with the Corporation who has a direct or indirect financial interest in a proposed transaction. A financial interest shall include: (a) an ownership or investment interest in any entity with which the Corporation has a proposed transaction or arrangement; (b) a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a proposed transaction or arrangement; and (c) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement. If a person is an interested person with respect to any entity in the health care system of which the Corporation is a part, he or she is an interested person with respect to all entities in the health care system.

14.2 **Recusal and Investigation.**

After disclosure of the financial interest, the interested person shall leave the Board of Directors or committee meeting while the financial interest is discussed and voted upon. The remaining directors or committee members shall decide if a conflict of interest exists. If a conflict of interest exists, the following procedures shall be followed: (a) the Chief Executive Officer shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement; (b) after exercising due diligence, the Board of Directors or committee shall determine whether the Corporation could obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest; and (c) if a more advantageous transaction or arrangement is not reasonably attainable, the Board of Directors or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Corporation's best interests and for its own benefit and whether the transaction is fair and reasonable to the Corporation and shall decide as to whether to enter into the transaction or arrangement in conformity with such determination.

14.3 **Failure to Disclose.**

If a director or committee member has reasonable cause to believe that an interested person has failed to disclose actual or possible conflicts of interest, he shall inform the interested person of the basis of such belief and afford the interested person an opportunity to explain the alleged failure to disclose. If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the Board of Directors or committee determines that the interested person has in fact failed to disclose an actual or possible conflict of interest, the Board of Directors shall take appropriate steps to protect the Corporation.

14.4 **Record of Actions.**

The minutes of the Board of Directors and all relevant committees shall contain the following: (a) the names of persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Board of Directors' or committee's decision as to whether a conflict of interest in fact existed; and (b) the names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.

14.5 **Compensation.**

Special procedures shall be in effect with respect to compensation issues. A voting member of the Board of Directors or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation. Physicians who receive compensation from the Corporation, whether directly or indirectly or as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually

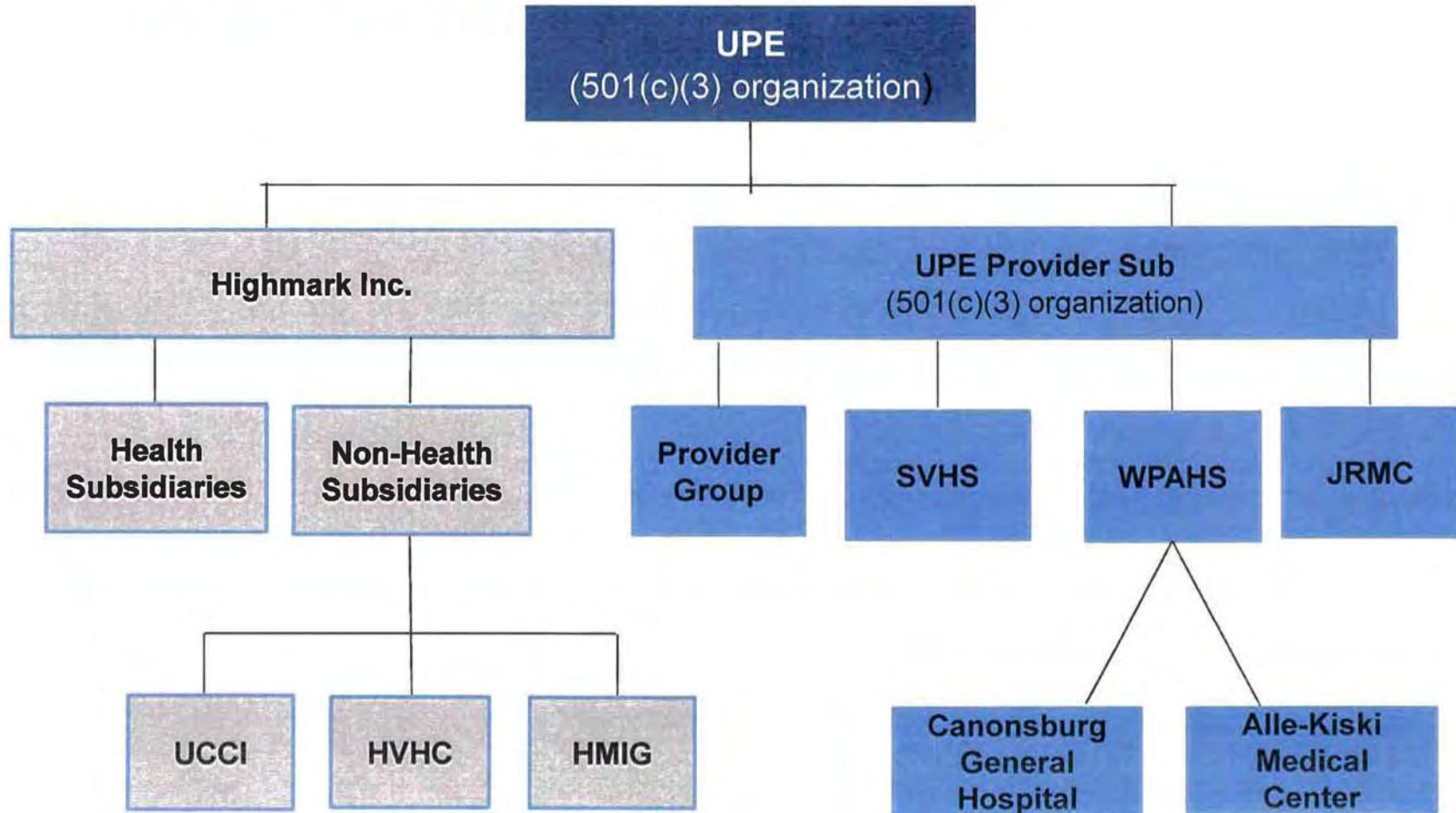
or collectively, is prohibited from providing information to any committee regarding physician compensation.

14.6 Annual Statements.

Each interested person shall annually sign a statement that affirms that such person (a) has received a copy of the conflicts of interest policy, (b) has read and understands the policy, (c) has agreed to comply with the policy, and (d) understands that the Corporation is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes. This policy shall be reviewed annually for the information and guidance of members of the Board of Directors, and any new member shall be advised of the policy upon entering on the duties of his office. In addition, the Corporation shall conduct periodic reviews of its activities, including any transactions or arrangements with interested persons, to ensure that its activities in the aggregate promote and further the Corporation's exempt charitable, scientific, and educational purposes.

TAB N

Proposed Corporate Structure



TAB O

SEE HMK-PID-CD-10