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EXHIBITS

- Exhibit 2.1(ii) Form of Stipulation and Release of Transferring Parties
- Exhibit 2.8(a) Form of Stipulation and Release of Governing Entity
- Exhibit 5.15 Form of PBGC Agreement
- Exhibit 7.5 Affiliation Agreement

SCHEDULES

- Schedule 3.3(a) Assigned AHERF Equipment and Assigned AHERF Personal Property Leases
- Schedule 3.3(b) Assigned AUMP Equipment and Assigned AUMP Personal Property Leases
- Schedule 3.3(b)(R) Rejected AUMP Personal Property Leases
- Schedule 3.3(c) Assigned AUHS Equipment and Assigned AUHS Personal Property Leases
- Schedule 3.3(c)(R) Rejected AUHS Personal Property Leases
- Schedule 3.5(O) Conveyed AUMP Real Property
- any sale contracts, leases, subleases, licenses, purchases, assignments or other agreements for the transfer of any part of the Real Property
- Schedule 3.5(a)(A) Assigned AHERF Real Property Leases. As to Real Property Covered by Assigned AHERF Real Property Leases:
- terms of leases
 - any notices of cancellation, termination or default under any lease or conditions that would constitute a default
- Schedule 3.5(a)(R) Rejected AHERF Real Property Leases

- Schedule 3.5(b)(A) **Assigned AUMP Real Property Leases. As to Real Property Covered by Assigned AUMP Real Property Leases:**
- any notices of cancellation, termination or default under any lease or conditions that would constitute a default
- Schedule 3.5(b)(R) **Rejected AUMP Real Property Leases**
- Schedule 3.5(c)(A) **Assigned AUHS Real Property Leases. As to Real Property Covered by Assigned AUHS Real Property Leases:**
- terms of leases
 - any notices of cancellation, termination or default under any lease or conditions that would constitute a default
- Schedule 3.5(c)(R) **Rejected AUHS Real Property Leases**
- Schedule 3.6 **Non-Compliance with Environmental Laws**
- Schedule 3.7 **Intellectual Properties, Computer Software, etc.**
- Schedule 3.8 **Insurance**
- Schedule 3.9 **Permits and Licenses**
- Schedule 3.10(a)(A) **Assigned AUMP Physician Agreements**
- Schedule 3.10(a)(R) **Rejected AUMP Physician Agreements**
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- Schedule 3.10(c) **Transferred Grants**
- Schedule 3.10(e) **Assigned AHERF Agreements**
- Schedule 3.10(f) **Assigned AUHS Agreements**
- Schedule 3.10(g) **Assigned AUMP Agreements**
- Schedule 3.12 **AUHS/AUMP Balance Sheet**
- Schedule 3.13 **Non-Compliance with Legal Requirements; Notices of Proceedings**

Schedule 3.14	Notices of Claims re: Government Reimbursement Programs
Schedule 3.15	<u>See</u> Schedule 3.15 of the Affiliation Agreement (Employee Benefit Plans)
Schedule 3.16	Litigation and Proceedings
Schedule 3.18	Confirmed Endowments; Endowment and Grant Restrictions
Schedule 5.8	Covered Rejected Agreements
Schedule 7.7(a)	Assigned AUHS Physician Agreements: Accrued Incentive and Bonus Compensation, FY 1998 and 1999
Schedule 7.7(b)	Assigned AUMP Physician Agreements: Accrued Incentive and Bonus Compensation, FY 1998 and 1999
Schedule 7.7(c)	Cure Costs for Assigned Contracts and Transferred Grant Agreements
Schedule 8.2	Form of Opinion of Counsel to the Trustee
Schedule 8.3	Form of Opinion of Counsel to the Governing Entity

SETTLEMENT AGREEMENT

This Settlement Agreement ("Settlement Agreement") is made and entered into as of this 30th day of June, 1999, by and among Allegheny General Hospital, a Pennsylvania non-profit corporation ("AGH"), Allegheny University Medical Centers, a Pennsylvania non-profit corporation ("AUMC"), Allegheny University Hospitals-West, a Pennsylvania non-profit corporation ("AUH-West"), Allegheny Singer Research Institute, a Pennsylvania non-profit corporation ("ASRI"), William J. Scharffenberger (the "Trustee"), as trustee for the bankruptcy estate of Allegheny Health, Education and Research Foundation ("AHERF"), Allegheny Hospitals-East, a Pennsylvania non-profit corporation ("AH-East"), as debtor-in-possession, Allegheny Hospitals, Centennial, a Pennsylvania non-profit corporation ("Centennial"), as debtor-in-possession, Allegheny University Medical Practices ("AUMP"), as debtor-in-possession, Allegheny University of the Health Science ("AUHS"), as debtor-in-possession, and the Official Committee of Unsecured Creditors of AHERF, AH-East, Centennial, AUMP and AUHS, on the one hand, and The Healthcare Alliance for Western Pennsylvania, Inc., a Pennsylvania non-profit corporation (the "Governing Entity").

WITNESSETH

WHEREAS, the Governing Entity is entering into an Affiliation Agreement (the "Affiliation Agreement"), dated the date of this Settlement Agreement, by and among AGH, AUMC, AUH-West, AUMC-Canonsburg and ASRI (AGH, AUMC, AUMC-Canonsburg and ASRI collectively, the "Allegheny Entities"), on the one hand, and the Governing Entity, on the other hand;

WHEREAS, AHERF is the sole member of each of the Allegheny Entities (with the exception of AUMC-Canonsburg, the sole member of which is AUMC);

WHEREAS, each of AHERF, AUMP and AUHS has title to certain assets and is a party to certain contracts and agreements that are essential to the continued orderly and businesslike operation of the business of the Allegheny Entities;

WHEREAS, AHERF, its affiliates and its and their creditors have alleged that certain claims can be asserted against the Allegheny Entities;

WHEREAS, the Allegheny Entities have alleged that they have certain claims against AHERF and its affiliates;

WHEREAS, the parties hereto wish to settle the claims described herein on the terms and conditions set forth in this Agreement;

WHEREAS, the Allegheny Entities and the Governing Entity would not enter into the Affiliation Agreement if this Settlement Agreement were not executed and delivered by the

parties hereto simultaneously therewith, and it is a condition to the obligations of the Allegheny Entities and the Governing Entity at the closing of the transactions contemplated by the Affiliation Agreement that the transactions contemplated by this Settlement Agreement take place simultaneously with the closing of the transactions contemplated by the Affiliation Agreement; and

WHEREAS, the parties intend that this Agreement, the PBGC Agreement (as defined herein), the Transition Services Agreement (as defined herein), the Physician Entity Management and License Agreement (as defined herein) and the stipulation and releases contemplated herein be treated as a single integrated transaction and are in effect a single transaction;

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, and intending to be legally bound hereby, the parties agree as follows.

1. DEFINITIONS AND REFERENCES

1.1 Definitions and References. In addition to the terms defined elsewhere in this Agreement, as used in this Agreement the following terms have the meanings given:

Accreditation Bodies: any Government Authority, or private non-profit organization, that reviews and, based thereon, licenses or accredits hospitals or other health care facilities, including without limitation the Department of Health of the Commonwealth of Pennsylvania, the Joint Commission on Accreditation of Healthcare Organizations and the American Council on Graduate Medical Education;

Affiliate: any Person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with another Person, where "control" includes the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of securities, the possession of membership authority, election or appointment of directors, by contract or otherwise;

Affiliation Agreement: the Affiliation Agreement, dated as of the date hereof, by and among the Allegheny Entities and the Governing Entity, in the form of Exhibit 7.5 hereto;

Agreement: this Settlement Agreement and all Exhibits and Schedules attached hereto, as amended, consolidated, supplemented, novated or replaced by the parties from time to time;

AGH: Allegheny General Hospital, a Pennsylvania non-profit corporation;

AH-East: Allegheny Hospitals-East, a Pennsylvania non-profit corporation;

AH-East Estate: the bankruptcy estate of AH-East in Case No. 98-25776-MBM filed in the U.S. Bankruptcy Court for the Western District of Pennsylvania;

AHERF: Allegheny Health, Education and Research Foundation, a Pennsylvania non-profit corporation;

AHERF Estate: the bankruptcy estate of AHERF in Case No. 98-25773-MBM filed in the Bankruptcy Court;

AHSPIC: Allegheny Healthcare Services Providers Insurance Company, a Cayman Islands company;

Allegheny Entities: AGH, AUMC, AUMC-Canonsburg and ASRI;

Allegheny Entities Businesses: all businesses owned, leased, managed or otherwise operated or conducted by the Allegheny Entities, together with the Transferred Assets Businesses, taken as a whole;

AMPN: Allegheny Medical Practice Network, a Pennsylvania non-profit corporation of which the Governing Entity is the sole member;

Arbiter: such independent certified public accounting firm as shall be designated by mutual agreement of the Governing Entity Accountant and the Estates Accountant by notice given to the Governing Entity and the Trustee (provided that, if within five (5) days after the date on which an Arbiter is required to be appointed by the terms hereof, the Governing Entity Accountant and the Trustee Accountant shall have failed to agree upon the identity of the Arbiter, then the Arbiter shall be that independent certified public accounting firm that is not otherwise engaged with respect to any aspect of the bankruptcy cases of the Estates and that is selected by the Bankruptcy Court from one or more candidates designated by the Governing Entity or the Trustee);

Articles: Articles of this Agreement;

ASPN: Allegheny Specialty Practice Network, a Pennsylvania non-profit corporation of which the Governing Entity is the sole member;

ASRI: Allegheny Singer Research Institute, a Pennsylvania non-profit corporation;

Assets: all assets, real, personal and mixed, tangible and intangible;

Assigned AHERF Agreements: the Contracts listed on Schedule 3.7 and the Contracts listed on Schedule 3.10(e);

Assigned AHERF Equipment: those items of owned personal property listed on Schedule 3.3(a);

Assigned AHERF Personal Property Leases: those leases of personal property listed on Schedule 3.3(a)(A);

Assigned AHERF Real Property Leases: those leases of real property listed on Schedule 3.5(a)(A);

Assigned AUHS Agreements: the Contracts listed on Schedule 3.9 and Schedule 3.10(f);

Assigned AUHS/AUMP Balance Sheet Assets: those assets of AUHS and/or AUMP that would be reflected on a balance sheet of AUHS or AUMP prepared in accordance with GAAP as of the Closing Date, including without limitation the Assigned AUHS Equipment, the Assigned AUMP Equipment, the AUHS Pharmacological and Supplies Inventory, the AUMP Pharmacological and Supplies Inventory, the Conveyed AUMP Real Property, the Practice Accounts Receivable, Restricted Investments and the Restricted Investment Earnings, but excluding (x) cash other than cash representing Restricted Investments and Restricted Investment Earnings and (y) any amount or account receivable from AHERF, the AHERF Estate, AH-East, the AH-East Estate, Centennial, the Centennial Estate, AUH-West, or any Affiliate of any entity named in this clause (y) regardless of when accrued;

Assigned AUHS Equipment: those items of owned personal property listed on Schedule 3.3(c);

Assigned AUHS Personal Property Leases: those leases of personal property listed on Schedule 3.3(c)(A);

Assigned AUHS Physician Agreements: those employment agreements with physicians employed by AUHS listed on Schedule 3.10(b)(A);

Assigned AUHS Real Property Leases: those leases of real property listed on Schedule 3.5(c)(A);

Assigned AUMP Agreements: the Contracts listed on Schedule 3.9 and Schedule 3.10(g);

Assigned AUMP Equipment: those items of owned personal property listed on Schedule 3.3(b);

Assigned AUMP Personal Property Leases: those leases of personal property listed on Schedule 3.3(b)(A);

Assigned AUMP Physician Agreements: those employment agreements between AUMP and physicians listed on Schedule 3.10(a)(A);

Assigned AUMP Real Property Leases: those leases of real property listed on Schedule 3.5(b)(A);

Assigned Contracts: the Assigned AHERF Agreements, the Assigned AHERF Real Property Leases, the Assigned AHERF Personal Property Leases, the Assigned AUHS Physician Agreements, the Assigned AUHS Agreements, the Assigned AUHS Real Property Leases, the Assigned AUHS Personal Property Leases, the Assigned AUMP Physician Agreements, the Assigned AUMP Agreements, the Assigned AUMP Real Property Leases, and the Assigned AUMP Personal Property Leases;

Assumed Balance Sheet Liabilities: defined in Section 2.9(b);

Assumed Contract Liabilities: defined in Section 2.9(c);

Assumed Liabilities: defined in Section 2.9(a);

AUH-West: Allegheny University Hospitals-West, a Pennsylvania non-profit corporation;

AUHS: Allegheny University of the Health Sciences, a Pennsylvania non-profit corporation;

AUHS Books and Records: all financial and other books, records, books of account and files of AUHS of every kind and nature other than tax returns, minute books and other books and records relating to corporate existence or governance;

AUHS Estate: the bankruptcy estate of AUHS in Case No. 98-25777-MBM filed in the Bankruptcy Court;

AUHS Pharmacological and Supplies Inventory: all of the inventory of drugs and pharmacological products, and of medical and office supplies, owned or held as of the Closing Date by AUHS at any of the sites covered by the Assigned AUHS Real Property Leases or at sites leased by AGH for practices conducted by physicians who are parties to Assigned AUHS Physician Agreements;

AUHS/AUMP Balance Sheet: the unaudited balance sheets of AUHS and AUMP as of March 31, 1999, in a form mutually agreed upon and to be attached hereto as Schedule 3.12 prior to the Closing;

AUMC: Allegheny University Medical Centers, a Pennsylvania non-profit corporation;

AUMC-Canonsburg: AUMC-Canonsburg, a Pennsylvania non-profit corporation, the sole corporate member of which is AUMC;

AUMP: Allegheny University Medical Practices, a Pennsylvania non-profit corporation;

AUMP Books and Records: all financial and other books, records, books of account and files of AUHS of every kind and nature other than tax returns, minute books and other books and records relating to corporate existence or governance;

AUMP Estate: the bankruptcy estate of AUMP in Case No. 98-25774-MBM filed in the Bankruptcy Court;

AUMP Pharmacological and Supplies Inventory: all of the inventory of drugs and pharmacological products, and of medical and office supplies, owned or held as of the Closing Date by AUMP at any of the sites covered by the Assigned AUMP Real Property Leases or at sites leased by AGH for practices conducted by physicians who are parties to Assigned AUMP Physician Agreements;

Bankruptcy Code: Title 11, United States Code;

Bankruptcy Court: the U.S. Bankruptcy Court for the Western District of Pennsylvania;

Centennial: Allegheny Hospitals, Centennial;

Centennial Estate: the bankruptcy estate of Centennial in Case No. 98-25775-MBM filed in the Bankruptcy Court;

Closing: defined in Section 8.1;

Closing Date: the date on or as of which the Closing occurs;

Code: the Internal Revenue Code of 1986, as amended;

Confirmed Endowments: the Endowments listed on Schedule 3.18;

Contracts: all commitments, contracts, leases, licenses, agreements and understandings, written or oral, relating to the Transferred Assets or the operation of the Transferred Assets Businesses, or which formerly related to the Transferred Assets Businesses but have been rejected, to which any Transferring Party is or was a party or by which it or any of the Transferred Assets are or were bound, including agreements with payers, physicians and other providers, agreements with health maintenance organizations, independent practice associations, preferred provider organizations and other managed care plans and alternative delivery systems, Grant Agreements, joint venture and partnership agreements, management, employment, retention and severance agreements, vendor agreements, real and personal property leases and schedules, maintenance agreements and schedules, and agreements with municipalities and labor organizations;

Controlled Group: with respect to any Transferring Party, a group consisting of each trade or business (whether or not incorporated) which, together with such Transferring Party, would be deemed a "single employer" within the meaning of section 4001(b)(1) of ERISA or subsections (b), (c), (m) or (o) of Section 414 of the Code;

Conveyed AUMP Real Property: those parcels of real property fee title to which is owned by AUMP and which fee title is being conveyed pursuant to Section 2.3, a metes and bounds description of which is contained in Schedule 3.5(O);

Covered Rejected Agreements: defined in Section 5.8;

Credentiailling Date: the date as of which the Governing Entity gives notice to the Transferring Parties that the assignment of the Assigned AUHS Physician Agreements and the Assigned AUMP Physician Agreements shall be effective, provided that such notice shall be given on or prior to ninety days after the Closing Date;

Cure Costs: the liabilities of the Transferring Parties, or any of them, under the Assigned Contracts that are required by the Bankruptcy Code to be paid to effect the assignment and assumption of such Assigned Contracts;

Deposit Escrow Agreement: the escrow agreement, dated as of the date hereof, by and between the Governing Entity, the Trustee and the Escrow Agent, providing for the maintenance and the disposition of the Deposit Escrow Amount in accordance with the terms and conditions hereof;

Deposit Escrow Amount: an amount in cash or immediately available funds equal to \$1,000,000;

Employee Benefit Plan: any (1) nonqualified deferred compensation or retirement plan or arrangement which is an Employee Pension Benefit Plan, (2) qualified defined contribution retirement plan or arrangement which is an Employee Pension Benefit Plan (including any Multiemployer Plan), (3) qualified defined benefit retirement plan or arrangement which is an Employee Pension Benefit Plan (including any Multiemployer Plan), or (4) Employee Welfare Benefit Plan or material fringe benefit plan or program that any Transferring Party or any member of the Controlled Group that includes any Transferring Party has been a sponsor of or party to, maintains or to which it contributes (including employee elective deferrals), or is required to contribute;

Employee Pension Benefit Plan: an Employee Benefit Plan defined in ERISA Sec. 3(2);

Employee Welfare Benefit Plan: an Employee Benefit Plan defined in ERISA Sec. 3(1);

Encumbrances: liabilities, levies, claims, charges, assessments, mortgages, security interests, liens, pledges, conditional sales agreements, title retention contracts, leases, subleases,

rights of first refusal, options to purchase, restrictions and other encumbrances, and agreements or commitments to create or suffer any of the foregoing, other than such of the foregoing as arise by the express terms of an Assigned Contract;

Endowment and Grant Accounts: specially created escrow accounts to be administered by the Governing Entity in accordance with the terms and conditions of the Endowment and Grant Restrictions and applicable Legal Requirements;

Endowment and Grant Restrictions: the terms and conditions of the underlying Endowments, Grants and Grant Agreements and any Legal Requirements associated therewith;

Endowments: any and all cash or cash equivalents or other property of any kind, together with the proceeds thereof, that has been contributed or has been committed to be contributed to or for the benefit of the Allegheny Entities or AUHS for any purpose whatsoever pursuant to Endowment and Grant Restrictions, including such of the foregoing as to which any interest may have been transferred to AHERF, or which have been recorded on the books of any of the Transferring Entities or to which any of the Transferring Entities may have legal or equitable title or a beneficial interest;

Environmental Claim: any notice by a Person alleging potential liability (including potential liability for investigatory costs, cleanup costs, Governmental Authority response costs, natural resource damages, property damages, personal injuries, or penalties) arising out of, based on or resulting from (1) the presence, or release into the environment, of any Materials of Environmental Concern at any location, whether or not owned by the Transferring Parties, or (2) circumstances forming the basis of any violation, or alleged violation, of any Environmental Laws;

Environmental Laws: any and all Legal Requirements relating to pollution or protection of human health or the environment (including ground water, land surface or subsurface strata), including Legal Requirements relating to emissions, discharges, releases or threatened releases of Materials of Environmental Concern, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, recycling, reporting or handling of Materials of Environmental Concern;

ERISA: the Employee Retirement Income Security Act of 1974, as amended;

Escrow Agent: Kalkines, Arky, Zall & Bernstein LLP, as escrow agent;

Estates: the AHERF Estate, the AUMP Estate, the AH-East Estate, the Centennial Estate and the AUHS Estate (individually or collectively as the context requires);

Estates Accountant: Deloitte & Touche LLP or such independent certified public accounting firm as may be designated by the Trustee by notice given to the Governing Entity;

Final Unsecured Claim Percentage: with respect to each of the AUHS Estate and the AUMP Estate, that percentage of each dollar of unsecured claims that an unsecured claimant is entitled to receive upon final distribution of the proceeds of such Estate as reflected in a plan of liquidation or reorganization that has been confirmed by the Bankruptcy Court or as a result of a distribution in a Chapter 7 case, which percentage shall be determined without taking into consideration the payments to be made by the Governing Entity under Section 5.9;

GAAP: generally accepted accounting principles, consistently applied;

Gateway: Gateway Health Plan, L.P., a Pennsylvania limited partnership;

Governing Entity: The Healthcare Alliance for Western Pennsylvania, Inc., a Pennsylvania non-profit corporation;

Governing Entity Physician Organization: AMPN and ASPN, jointly and severally;

Governing Entity Accountant: Arthur Andersen LLP or such other independent certified public accounting firm as may be designated by the Governing Entity by notice given to the Trustee;

Government Reimbursement Programs: federal and state Medicare, Medicaid and CHAMPUS programs, and similar or successor programs with or for the benefit of Governmental Authorities;

Governmental Authorities: all agencies, authorities, bodies, boards, commissions, courts, instrumentalities, legislatures and offices of any nature whatsoever of any federal, state, county, district, municipal, city, foreign or other government or quasi-government unit or political subdivision, and private arbitration panels or dispute resolution makers;

Grant Agreement: a contract with a Grant Provider, the terms and conditions of which govern the funding of specific activities, including research and education, for the use by or benefit of one or more of the Allegheny Entities, AUHS, AUMP or AHERF;

Grant Provider: any Governmental Authority, private non-profit organization or trust, or other Person providing Grants to AUHS for the use by or benefit of one or more of the Allegheny Entities, AUHS or AUMP for the conduct of research, education or other non-profit or charitable activities;

Grants: any and all grants, honoraria, prizes, research grants, sponsored projects, payments for clinical trials and any other funds or property of any kind that have been awarded or otherwise committed to AUHS, AUMP or AHERF to be used by the Allegheny Entities for a defined project, research area or other specified purpose;

Hill-Burton Act: the Public Health Service Act, 42 U.S.C. Section 291, *et seq.*;

Highmark: Highmark Inc., d/b/a Highmark Blue Cross Blue Shield, a Pennsylvania nonprofit corporation;

HSR Act: the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;

Immaterial Contracts: any Contract that (i) requires the future payment by any Transferring Party of cumulative value of \$20,000 or less or the future performance by any Transferring Party of services having a cumulative value of \$20,000 or less, or (ii) requires the future payment by any Transferring Party of cumulative value of \$50,000 or less, or the future performance by any Transferring Party of services having a cumulative value of \$50,000, and that is terminable by the respective Transferring Party at any time, without cause and without liability for any termination fee or other similar charge, on the part of the respective Transferring Party upon notice of ninety (90) days or less;

IRS: Internal Revenue Service;

Indebtedness: any and all indebtedness, obligations or liabilities of any Transferring Party for or in respect of: (i) borrowed money, (ii) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (iii) reimbursement obligations under any letter of credit, currency swap agreement, interest rate swap, cap, collar or floor agreement or other interest rate management device, (iv) any other transaction (including forward sale or purchase agreement, capitalized leases and conditional sales agreements) having the commercial effect of a borrowing of money entered into by any Transferring Party to finance its operations or capital requirements (but not including trade payables and accrued expenses incurred in the ordinary course of business which are not represented by a promissory note or other evidence of indebtedness); or (v) the obligations of any third party pursuant to a guaranty, surety relationship, contractual indemnity or otherwise;

Intellectual Properties: the marks, names, trademarks and service marks used in the Transferred Assets Businesses other than the names AUHS and AUMP, and patents, patent right, assumed names, logos, copyrights, trade secrets and similar intangibles (including variants thereof and applications therefor) used in the Transferred Assets Businesses and listed on Schedule 3.7;

Legal Requirements: with respect to any Person, all statutes, laws (including common law), ordinances, by-laws, codes, rules, regulations, restrictions, orders, judgments, writs, injunctions, decrees, permits, concessions, grants, franchises, licenses, determinations or awards of any Governmental Authority having jurisdiction over such Person or any of such Person's assets or businesses;

Letter of Intent: the letter of intent, dated March 1, 1999, by and among the Governing Entity, the Allegheny Entities, AUH-West, the Trustee as trustee of the AHERF Estate, AUMP, AUHS, the AUH-East Estate and the Centennial Estate;

Materials of Environmental Concern: any hazardous or toxic material, substance, or product or any pollutant or contaminant, whether or not defined as such under any

Environmental Law, including without limitation, any asbestos containing material; petroleum product, derivative, compound or mixture; polychlorinated biphenyls; radioactive material; lead-containing products; and any other substance which is prohibited by applicable law, which may require removal, remediation, and/or encapsulation by applicable law, or which may require a permit or special handling in its use, collection, storage, treatment or disposal;

Multiemployer Plan: defined in ERISA section 3(37) or section 4001(a)(3);

Non-Governmental Payor Programs: third party payor agreements and payment and reimbursement programs with a commercial insurer, managed care organization or health benefits plan, including without limitation such agreements and programs with Highmark Blue Cross Blue Shield, HealthAmerica or Aetna U.S. Healthcare, and any direct employer agreements or programs for the payment of the costs of medical services rendered to employees of a given employer, including without limitation the workers' compensation program for employees of the City of Pittsburgh;

Other Plan: any Contract, program or arrangement which provides cash or non-cash benefits or perquisites to current or former employees of any Transferring Party that any Allegheny Entity or any member of the Controlled Group that includes any Allegheny Entity has been a sponsor of or party to, maintains or to which it contributes (including employee elective deferrals), or is required to contribute, but which is not an Employee Benefit Plan;

Party: any party to this Agreement, its successors and assigns;

PBGC: the Pension Benefit Guaranty Corporation;

PBGC Agreement: the Agreement by and among the PBGC, the Governing Entity, the Allegheny Entities, AUH-West, the Trustee, and the Estates with respect to the RAP Plan in the form of Exhibit 5.15 (it being understood that, if such agreement is not executed as of the date hereof, it will be attached hereto as Exhibit 5.15 when executed and prior to the Closing);

Permitted Encumbrances: the Permitted Personal Property Encumbrances and the Permitted Real Property Encumbrances.

Permitted Personal Property Encumbrances: Encumbrances securing Assumed Liabilities that do not interfere with the use of the subject personal property in any material way, including liens for taxes not yet due and payable;

Permitted Real Property Encumbrances: (i) liens for taxes not yet due and payable and installments of special assessments not yet delinquent, and (ii) with respect to a given parcel of Conveyed AUMP Real Property such recorded easements, covenants, and other restrictions, and utility easements, building restrictions, zoning restrictions and other easements and restrictions as are reflected on a title search with respect to such parcel of Conveyed AUMP Real Property obtained by the Governing Entity;

Person: any individual, company, body corporate, association, partnership, limited liability company, firm, joint venture, trust, trustee or Governmental Authority;

Physician Entity Management and License Agreements: the meaning ascribed to such term in Section 6.11;

Practice Accounts Receivable: all current and deferred accounts and other amounts receivable as of the Closing Date by or in respect of services rendered or billable by AUMP and/or AUHS and/or physicians or other professionals employed by AUMP or AUHS or who have assigned to AUMP or AUHS the right to collect fees for professional services rendered by such physicians or other professionals, and arising out of the conduct of the Transferred Assets Businesses, whether or not invoices in respect of such services have been rendered as of the Closing Date;

RAP Plan: the Retirement Account Plan for Employees of Allegheny Health, Education and Research Foundation for certain employees of AHERF or Affiliates thereof;

Real Property: all real property owned or leased, together with all buildings, improvements and fixtures thereon and all appurtenances and rights thereto;

Rejected AUHS Physician Agreements: those employment agreements with physicians employed or whose practice is located in Western Pennsylvania listed on Schedule 3.10(b)(R), each of which has been or will be rejected by the AUHS Estate;

Rejected AUHS Leases: those leases of personal property located in Western Pennsylvania listed on Schedule 3.3(c)(R), and those leases of real property located in Western Pennsylvania listed on Schedule 3.5(c)(R), each of which has been or will be rejected by the AUHS Estate;

Rejected AUMP Physician Agreements: those employment agreements with physicians whose practice is located in Western Pennsylvania listed on Schedule 3.10(a)(R), each of which has been or will be rejected by the AUMP Estate;

Rejected AUMP Leases: those lease of personal property located in Western Pennsylvania listed on Schedule 3.3(b)(R), and those leases of real property located in Western Pennsylvania listed on Schedule 3.5(b)(R), each of which has been or will be rejected by the AUMP Estate;

Research Grants: all research grants in respect of which AUHS or AHERF is named as the grantee party;

Restricted Assets: all Restricted Cash, Endowments and Grants;

Restricted Cash: all cash and cash equivalents that are subject to Endowment and Grant Restrictions;

Restricted Investment Earnings: interest and earnings earned or accrued on or with respect to the Restricted Investments;

Restricted Investments: the temporarily restricted investments and permanently restricted investments of AUHS and AUMP as of March 31, 1999, and that as of the Closing Date have not been applied to the payment of amounts that would otherwise constitute Assumed Balance Sheet Liabilities;

Retained Liabilities: the meaning ascribed to such term in Section 2.10;

Sections: sections of the Agreement;

Tax: any federal, state, local foreign or other income (net or gross), unrelated business income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, privilege, premium, windfall profits, environmental (including taxes under Code Sec. 59A), customs duties, capital, capital stock, franchise, profits, withholding, social security, unemployment, disability, real property, personal property, intangible, stamp, sales, use, services, *ad valorem*, transfer, registration, unclaimed property, value added, alternative or add-on minimum, estimated or other tax, assessment, charge, levy or fee of any kind whatsoever, including payments or services in lieu of Taxes, interest or penalties on and additions to all of the foregoing, which are due or alleged to be due to any Governmental Authority, whether disputed or not;

Tax Return: any return, declaration, report, claim for refund, information return or statement, including schedules and attachments thereto and amendments, relating to taxes;

Transferred Assets: the tangible and intangible assets constituting or utilized in connection with the Transferred Assets Businesses that are to be assigned, set over and conveyed by the Transferring Parties at the Closing pursuant to Article 2 of this Agreement;

Transferred Assets Businesses: the businesses carried on by AUMP and/or AUHS in Western Pennsylvania (as the context requires), as the same may have been modified through the rejection or planned rejection (in accordance with the representations and warranties reflected in Article 3 or in accordance with Section 5.8) of executory contracts by the AUMP Estate or the AUHS Estate;

Transferred Endowments: any Endowments that were intended to be for the use or benefit of one or more of the Allegheny Entities and the interest of the Allegheny Entities in which was transferred to AHERF pursuant to that certain Order of the Orphan's Court, dated June 30, 1988, or that are otherwise recorded in the name of or carried on the books of AHERF or any Affiliate of AHERF other than AGH, AUMC, AUMC - Canonsburg and ASRI;

Transferred Grants: any Grants, and any applications for Grants or Grants in negotiation, together with the associated rights and the post-petition liabilities under the corresponding grant agreements, in each case as listed on Schedule 3.10(c);

Transferring Parties: AHERF, AUMP and AUHS, including their respective Estates, individually or collectively as the context may require;

Transition Services Agreement: the meaning ascribed to such term in Section 6.12;

Trustee: William Scharffenberger as trustee of the AHERF Estate;

Unrestricted Cash: all cash and cash equivalents, including unrestricted short-term investments, other than Restricted Cash;

Unsecured Creditors Committee: the Official Committee of Unsecured Creditors of AHERF, AUMP, Centennial, AH-East and AUHS;

VHA Membership: the membership interest of AHERF in the Voluntary Hospital Association;

West Penn: The Western Pennsylvania Healthcare System, Inc., a Pennsylvania non-profit corporation.

1.2 Certain References. As used in this Agreement, and unless the context requires otherwise:

- (a) references to "include" or "including" mean including without limitation;
- (b) references to "partners" include general and limited partners of partnerships and members of limited liability companies;
- (c) references to "partnerships" include general and limited partnerships, joint ventures and limited liability companies;
- (d) -- references to "hereof", "herein" and derivative or similar words refer to this Agreement;
- (e) references to any document are references to that document as amended, consolidated, supplemented, novated or replaced by the parties thereto from time to time;
- (f) references to any law are references to that law as amended, consolidated, supplemented or replaced from time to time and all rules and regulations promulgated thereunder;
- (g) references to time are references to Pittsburgh, Pennsylvania time;

(h) references in this Agreement to the "knowledge" of the Transferring Parties or variants thereof mean the actual knowledge, without investigation, of Patrick Hurst, Charles Morrison, Leonard Lobiando or William Scharffenberger;

(i) the gender of all words includes the masculine, feminine and neuter, and the number of all words includes the singular and plural; and

(j) the divisions of this Agreement into articles, sections and subsections and the use of captions and headings in connection therewith are solely for convenience and shall have no legal effect in construing the provisions of this Agreement.

2. CLOSING TRANSACTIONS

2.1 Conveyances by the AHERF Estate. Subject to the terms and conditions hereof, at the Closing AHERF, pursuant to an order of the Bankruptcy Court and on behalf of the AHERF Estate, shall:

(i) assign, set over, transfer and convey to AGH or AUMC or as otherwise directed by the Governing Entity, in each case free and clear of liens, claims and Encumbrances other than Permitted Personal Property Encumbrances, by a bill of sale, instrument of assignment or other similar instruments executed by AHERF that are reasonably satisfactory to the Governing Entity, AHERF, the Trustee and the Unsecured Creditors Committee, all of the right, title and interest of AHERF in and to:

- (A) the Assigned AHERF Agreements;
- (B) the Assigned AHERF Equipment;
- (C) the Assigned AHERF Personal Property Leases;
- (D) the Assigned AHERF Real Property Leases;
- ~~(E) the Intellectual Properties; and~~
- (F) the VHA Membership; and

(ii) execute and deliver to the Governing Entity and West Penn a stipulation and release in the form of Exhibit 2.1(ii) for the benefit of each of the "Protected Parties" identified on such stipulation and release;

(iii) [Reserved]; and

(iv) execute and deliver to the Governing Entity on behalf of the Allegheny Entities an instrument reasonably satisfactory to the Governing Entity, the Allegheny

Entities, AHERF, the Trustee and the Unsecured Creditors Committee, effecting the withdrawal of AHERF as the sole voting member of the Allegheny Entities, consenting to the substitution of the Governing Entity as the sole voting member of the Allegheny Entities in lieu of AHERF, and approving the Amended and Restated Articles of Incorporation of AGH, AUMC and ASRI in the forms attached to the Affiliation Agreement as Exhibit 2.1(a) and approving the amended and restated Bylaws of AGH, AUMC and ASRI in the forms attached to the Affiliation Agreement as Exhibit 2.1(b).

2.2 Conveyances by the AUHS Estate. Subject to the terms and conditions hereof, at the Closing, the AUHS Estate shall:

(i) assign, set over, transfer and convey to the Governing Entity Physician Organization or as otherwise directed by the Governing Entity, in each case free and clear of liens, claims and Encumbrances other than Permitted Personal Property Encumbrances, by a bill of sale, instrument of assignment or other similar instruments executed by AUHS that are reasonably satisfactory to the Governing Entity, the Allegheny Entities, AUHS, the Trustee and the Unsecured Creditors Committee, all of the right, title and interest of the AUHS Estate in and to:

(A) the Assigned AUHS Physician Agreements (with the understanding that such assignment shall become effective by notice given to the Transferring Parties by the Governing Entity as of the Credentialling Date)

(B) the Assigned AUHS Agreements;

(C) the Assigned AUHS/AUMP Balance Sheet Assets;

(D) the Intellectual Properties;

(E) the Assigned AUHS Real Property Leases;

(F) the Assigned AUHS Personal Property Leases;

(G) the AUHS Books and Records;

(H) all cash representing Restricted Investment Earnings; and

(I) the Transferred Grants and Grant Agreements; and

(ii) execute and deliver to the Governing Entity and West Penn a stipulation and release in the form of Exhibit 2.1(ii).

2.3 Conveyances by the AUMP Estate. Subject to the terms and conditions hereof, at the Closing, the AUMP Estate shall:

(i) assign, set over, transfer and convey to the Governing Entity Physician Organization or as otherwise directed by the Governing Entity, in each case free and clear of liens, claims and Encumbrances (other than Permitted Personal Property Encumbrances and other than, in the case of the conveyed AUMP Real Property, the Permitted Encumbrances), by a bill of sale, deed, instrument of assignment or other similar instruments executed by AUMP that are satisfactory to the Governing Entity, the Allegheny Entities, AUMP, the Trustee and the Unsecured Creditors Committee, all of the right, title and interest of the AUMP Estate in and to:

(A) the Assigned AUMP Physician Agreements (with the understanding that such assignment shall become effective by notice given to the Transferring Parties by the Governing Entity as of the Credentialling Date);

(B) the Assigned AUMP Agreements;

(C) the Assigned AUHS/AUMP Balance Sheet Assets;

(D) the Intellectual Properties;

(E) the Assigned AUMP Real Property Leases;

(F) the Assigned AUMP Personal Property Leases;

(G) the Conveyed AUMP Real Property;

(H) the AUMP Books and Records;

(I) all cash representing Restricted Investment Earnings;

(J) the Transferred Grants and Grant Agreements; and

(K) if as of the Closing Date it remains owned by AUMP, the interest of AUMP as a general partner of Gateway; and

(ii) execute and deliver to the Governing Entity and West Penn a stipulation and release in the form of Exhibit 2.1(ii).

2.4 Delivery by the AH-East Estate. Subject to the terms and conditions hereof, at the Closing the AH-East Estate shall execute and deliver to the Governing Entity and West Penn a stipulation and release in the form of Exhibit 2.1(ii).

2.5 Delivery by the Centennial Estate. Subject to the terms and conditions hereof, at the Closing, the Centennial Estate shall execute and deliver to the Governing Entity and West Penn a stipulation and release in the form of Exhibit 2.1(ii).

2.6 Delivery by the Unsecured Creditors Committee. Subject to the terms and conditions hereof, at the Closing the Unsecured Creditors Committee shall execute and deliver to the Governing Entity and West Penn a stipulation and release in the form of Exhibit 2.1(ii).

2.7 No Other Assignments or Conveyances. Except for the Transferred Assets and as expressly contemplated by Sections 2.1, 2.2 and 2.3 (assuming the accuracy and completeness of the representations and warranties of the Transferring Parties), this Settlement Agreement does not constitute an agreement or establish an obligation on the part of the Transferring Parties to assign, set over, transfer or convey to any Person any asset of any character of the Transferring Parties, and all right, title and interest of any Transferring Party in respect of any of the foregoing shall as of and from the Closing Date be retained by such Transferring Party. Without limiting the generality of the foregoing, the term "Transferred Assets" shall not include the following assets of the Transferring Parties: (i) cash and cash equivalents, including unrestricted short-term investments, other than cash representing Restricted Investment Earnings and other than earnings on Transferred Endowments; (ii) any amount or account receivable from AHERF, the AHERF Estate, AH-East, the AH-East Estate, Centennial, the Centennial Estate, AUH-West, or any Affiliate of any entity named in this clause (ii) regardless of when accrued; (iii) the books and records listed on Schedule 2.1(i)(G) or Schedule 2.3(i)(G); (iv) the intellectual properties listed on Schedule 2.1(i)(E); and (v) all assets used or owned by the Transferring Parties, or any of them, which are not defined as Transferred Assets.

2.8 Payment of Settlement Consideration; Other Deliveries.

(a) Subject to the terms and conditions hereof, at the Closing, the Governing Entity shall do or cause to be done the following:

(i) the Governing Entity shall pay or cause to be paid to the Trustee on behalf of the Estates, by wire transfer of immediately available funds, twenty-four million dollars (\$24,000,000);

(ii) the Governing Entity shall instruct the Escrow Agent to pay to (A) the Trustee on behalf of the Estates, by wire transfer of immediately available funds, the Deposit Escrow Amount and (B) to the Governing Entity, by wire transfer of immediately available funds, all interest and earnings accrued on or with respect to the Deposit Escrow Amount during the period for which it has been held in escrow by the Escrow Agent;

(iii) the Governing Entity and West Penn shall execute and deliver to the Trustee, the Unsecured Creditors Committee and each of the Transferring Parties and the

Estates, a stipulation and release in the form of Exhibit 2.8(a) for the benefit of each of the "Protected Parties" identified on such stipulation and release;

(iv) the Governing Entity shall cause AMPN, ASPN and each of the "Releasing Parties" identified on the stipulation and release in the form of Exhibit 2.8(a) other than the Allegheny Entities and AUH-West to execute and deliver to the Trustee, the Unsecured Creditors Committee and each of the Transferring Parties and the Estates, a stipulation and release in the form of Exhibit 2.8(a), for the benefit of each of the "Protected Parties" identified on such stipulation and release;

(v) the Governing Entity shall cause the Governing Entity Physician Organization to execute and deliver to the Transferring Parties an Instrument of Assumption, dated as of the Closing Date and reasonably satisfactory to the Transferring Parties, pursuant to which the Governing Entity Physician Organization agrees to assume, pay and discharge the Assumed Liabilities as provided in Section 2.9; and

(vi) the Governing Entity shall pay or cause to be paid all Cure Costs with respect to the Assigned Contracts as provided in Section 2.11.

(b) Simultaneously herewith, the Governing Entity is depositing the Deposit Escrow Amount in escrow under and pursuant to the Deposit Escrow Agreement. If this Agreement shall be terminated prior to Closing for any reason, except as provided in Section 8.4(b)(3), the Deposit Escrow Amount and all interest and earnings accrued thereon or with respect thereto shall be paid and returned in full to the Governing Entity effective upon the date of such termination. If the Closing shall occur, the Deposit Escrow Amount shall be paid at Closing to the Trustee on behalf of the Estates, and all interest and earnings accrued thereon or with respect thereto shall be paid to the Governing Entity, by the Escrow Agent.

(c) Subject to the terms and conditions hereof, at the Closing, each of the Allegheny Entities and AUH-West shall execute and deliver to the Trustee, the Unsecured Creditors Committee and each of the Transferring Parties and Estates, a stipulation and release in the form of Exhibit 2.8(a), for the benefit of each of the "Protected Parties" identified on such stipulation and release;

(d) If the Bankruptcy Court orders at the hearing approving this Agreement that the consideration contemplated by Section 2.8(a)(i) be posted or deposited with the court upon the entry of the order of the Bankruptcy Court approving this Agreement and pending the expiration of the period during which a notice of appeal may be filed with respect to such order, the Governing Entity shall cause such amount to be so posted or deposited pending the Closing and the expiration of such appeal period without the filing of a notice of appeal from such order, all on terms that are customary for such a posting or deposit.

2.9 Limited Assumption of Liabilities.

(a) At and subject to the Closing, the Governing Entity Physician Organization shall assume and agree to pay and discharge, and the Governing Entity shall cause the Governing Entity Physician Organization to execute and deliver to the Transferring Parties an instrument of assumption, dated as of the Closing Date and reasonably satisfactory to the Transferring Parties, pursuant to which the Governing Entity Physician Organization agrees to assume, pay and discharge, in a timely fashion and in full only those liabilities and obligations of the Transferring Parties expressly described in this Section 2.9. The liabilities and obligations of the Transferring Parties expressly described in this Section 2.9 shall consist of the Assumed Balance Sheet Liabilities (as such term is defined in Section 2.9(b)) and the Assumed Contract Liabilities (as such term is defined in Section 2.9(c)); the Assumed Balance Sheet Liabilities and the Assumed Contract Liabilities collectively are referred to herein as the "Assumed Liabilities". At and subject to the Closing neither the Transferring Parties nor their Affiliates shall have or be responsible for, whether pursuant to this Settlement Agreement or otherwise, any liability, obligation or responsibility whatsoever for any liabilities, claims, obligations or undertakings of any kind or character, whether fixed or contingent, known or unknown, liquidated or unliquidated, that constitutes an Assumed Liability, all of which shall, as between the Governing Entity, the Governing Entity Physician Organization, AGH and AUMC on the one hand and the Transferring Parties and the Estates on the other hand, be assumed and performed by the Governing Entity Physician Organization.

(b) The following liabilities and obligations of AUHS and AUMP shall be referred to herein as the "Assumed Balance Sheet Liabilities," in each case solely to the extent that such liabilities and obligations (A) accrue or have accrued with respect to the Transferred Assets Businesses and (B) accrue or have accrued after the date (the "Filing Date") of the filing by AUHS and AUMP of their petitions under the Bankruptcy Act;

(i) all liabilities and obligations of AUHS and AUMP accrued on or prior to the date of the AUHS/AUMP Balance Sheet and properly disclosed and reflected in accordance with GAAP on the AUHS/AUMP Balance Sheet, other than liabilities in the line item category "Payable to Affiliates, Net" and other than liabilities categorized as "pre-petition liabilities"; and

(ii) all liabilities and obligations of AUHS and AUMP accrued after the date of the AUHS/AUMP Balance Sheet that in each case (A) are or would be reflected on a balance sheet of AUHS or AUMP prepared in accordance with GAAP as of the Closing Date, excluding liabilities that are or would be reflected in the line item category "Payable to Affiliates, Net" and (B) are incurred or accrued in the ordinary course of business of AUHS and AUMP (and, with respect to liabilities incurred after the date of this Agreement, incurred or accrued in accordance with the terms and conditions of this Agreement).

For the avoidance of doubt, in no event shall Assumed Balance Sheet Liabilities include any liabilities or obligations of AUHS or AUMP: (v) for unpaid rent under Section 365(d)(3) or Section 365(d)(10) of the Bankruptcy Code which does not comprise a portion of the Assumed Contract Liabilities; (w) accrued on or prior to the Filing Date or that would constitute liabilities not entitled to priority under Section 507(a)(1) of the Bankruptcy Code if not assumed hereunder; (x) in respect of agreements with physicians that do not constitute Assigned AUHS Physician Agreements or Assigned AUMP Physician Agreements; (y) that arise in respect of the Rejected AUHS Physician Agreements, the Rejected AUMP Physician Agreements, the Covered Rejected Agreements or otherwise as a result of the termination by AUHS or AUMP of the employment or affiliation of any employee, physician or physician group employed by or associated with AUHS or AUMP; or (z) to AHERF, the AHERF Estate, AH-East, the AH-East Estate, Centennial, the Centennial Estate or AUH-West, or any Affiliate of any entity named in this clause (z), regardless of when accrued.

(c) The "Assumed Contract Liabilities" shall consist of and be limited to all liabilities and obligations of the Transferring Parties, or any of them, (i) arising on and after July 21, 1998 in respect of the Transferred Grants, (ii) arising on and after July 21, 1998 in respect of the Transferred Endowments, and (iii) arising from and after the Closing Date under the Assigned Contracts. It is understood that Assumed Contractual Liabilities shall include the obligation to maintain professional liability insurance in accordance with applicable law in respect of physicians who are parties to the Assigned AUHS Physician Agreements and Assigned AUMP Physician Agreements, including the obligation to contract for extended reporting periods with respect to periods of employment thereunder.

2.10 No Other Assumption of Liabilities. Except as expressly contemplated by Section 2.9, neither the Governing Entity, the Governing Entity Physician Organization nor any of the Allegheny Entities shall have, assume or be responsible for, whether pursuant to this Settlement Agreement or otherwise, any liability, obligation or responsibility whatsoever for any liabilities, claims, obligations or undertakings of any kind or character, whether fixed or contingent, known or unknown, liquidated or unliquidated, of any of the Transferring Parties or the Estates, whether or not relating to the Transferred Assets or the Transferred Assets Business (collectively, the "Retained Liabilities"), all of which shall, as between the Governing Entity, the Governing Entity Physician Organization and the Allegheny Entities on the one hand and the Transferring Parties on the other hand, be retained solely and exclusively by the applicable Transferring Party. Without limiting the generality of the foregoing, and for the avoidance of doubt, it is expressly agreed that except as expressly required by Section 5.9, neither the Governing Entity, the Governing Entity Physician Organization nor any of the Allegheny Entities shall have any liability, obligation or responsibility whatsoever in respect of the Rejected AUHS Physician Agreements, the Rejected AUHS Leases, the Rejected AUMP Physician Agreements or the Rejected AUMP Leases, all of which liabilities, obligations and responsibilities described in this sentence shall constitute Retained Liabilities.

2.11 Payment of Cure Costs. On the Closing Date, the Governing Entity shall cause any and all Cure Costs with respect to the Assigned Contracts that are required under the Bankruptcy Code to be paid or provided for by the Governing Entity Physician Organization as

a condition to assignment of such Assigned Contracts as contemplated by this Settlement Agreement.

2.12 License. For a reasonable period of time after the Closing Date, the Governing Entity Physician Organization is hereby granted a royalty-free license to use the names AUHS and AUMP pending its revision of its signage, stationery and other similar materials.

3. REPRESENTATIONS AND WARRANTIES OF THE TRANSFERRING PARTIES

Subject to Section 8.5, each Transferring Party represents and warrants to the Governing Entity:

3.1 Powers; Consents; Absence of Conflicts, Etc. The execution, delivery and (subject to the satisfaction of the conditions described in Section 6.3) performance of this Settlement Agreement (i) are within the power and authority of such Transferring Party, (ii) do not violate any Legal Requirement to which the Transferring Party may be subject, (iii) do not conflict with or result in any breach or contravention of any material Contract to which such Transferring Party is a party or by which such Transferring Party is bound, (iv) have been approved by all appropriate corporate action, and (v) except as otherwise expressly provided in this Settlement Agreement, do not require any approval of or consent of, or filing with, and Governmental Authority or any other third party.

3.2 Binding Agreement. Subject to the satisfaction of the conditions described in Section 6.3, this Settlement Agreement and all instruments and agreements hereunder to which such Transferring Party is or becomes a party are (or upon execution will be) valid and legally binding obligations of such Transferring Party, enforceable against such Transferring Party in accordance with the respective terms hereof or thereof, except as enforceability may be subject to general principles of equity.

3.3 Equipment. The Assigned AHERF Equipment and the Assigned AHERF Personal Property Leases that are listed and described on Schedule 3.3(a) constitute all owned and leased tangible personal property that is owned by or utilized under lease by the AHERF Estate and that is used or useful in the conduct of the Transferred Assets Businesses. The Assigned AUMP Equipment and the Assigned AUMP Personal Property Leases that are listed and described on Schedule 3.3(b) constitute all owned and leased tangible personal property that is owned by or utilized under lease by the AUMP Estate and that is used or useful in the conduct of the Transferred Assets Businesses. The Assigned AUHS Equipment and the Assigned AUHS Leases that are listed and described on Schedule 3.3(c) constitute all owned and leased tangible personal property that is owned by or utilized under lease by the AUHS Estate and that is used or useful in the conduct of the Transferred Assets Businesses. All equipment constituting Assigned AHERF Equipment, Assigned AUMP Equipment or Assigned AUHS Equipment owned by the Transferring Parties is well maintained and in good operating condition, except for reasonable wear and tear. All medical and other leased equipment constituting leased personal property under the Assigned AHERF Personal Property Leases, the Assigned AUMP Personal Property Leases or the Assigned AUHS Personal Property Leases is maintained (either by the Transferring Parties, the manufacturer or lessor, as the case may be) in accordance with applicable lease requirements and is in good operating condition, except for reasonable wear and

tear. Subject to the payment of the Cure Costs by the Governing Entity in accordance with this Settlement Agreement, and assuming the performance by the Allegheny Entities of their obligations under Section 5.10, as of the Closing Date all material payment obligations of the Transferring Parties in respect of the Assigned AHERF Personal Property Leases, the Assigned AUMP Personal Property Leases and the Assigned AUHS Personal Property Leases will be paid in full for all periods through and including the month in which the Closing Date occurs. The Rejected AUMP Leases listed or described on Schedule 3.3(b)(R) constitute all of the leases of personal property used in the Transferred Assets Business that have been rejected by the AUMP Estate during the pendency of its bankruptcy case. The Rejected AUHS Leases listed or described on Schedule 3.3(c)(R) constitute all of the leases of personal property used in the Transferred Assets Businesses that have been rejected by the AUHS Estate during the pendency of its bankruptcy case.

3.4 Title to Personal Property. The Transferring Parties own and hold good and valid title or leasehold title to all equipment constituting Assigned AHERF Equipment, Assigned AUMP Equipment or Assigned AUHS Equipment and all leased equipment leased under the Assigned AHERF Personal Property Leases, the Assigned AUMP Personal Property Leases or the Assigned AUHS Personal Property Leases, free and clear of any Encumbrances other than the Permitted Personal Property Encumbrances.

3.5 Real Property.

(a) The Conveyed AUMP Real Property listed and described in Schedule 3.5(O) constitutes all of the Real Property owned by AHERF, AUHS and AUMP that is used or useful in the conduct of the Transferred Assets Businesses. The Assigned AHERF Real Property Leases listed and described on Schedule 3.5(a) cover those parcels of real property as to which the AHERF Estate is the lessee that are used or useful in the conduct of the Transferred Assets Businesses. The Assigned AUMP Real Property Leases listed and described on Schedule 3.5(b) cover those parcels of real property as to which the AUMP Estate is the lessee that are used or useful in the Transferred Assets Businesses. The Assigned AUHS Real Property Leases listed and described on Schedule 3.5(c) cover those parcels of real property as to which the AUHS Estate is the lessee that are used or useful in the Allegheny Entities Businesses or the Transferred Assets Businesses. AUMP owns fee title to the Real Property described in Schedule 3.5(O) together with all buildings, improvements and fixtures thereon and all appurtenances and rights thereto, free and clear of any Encumbrances other than the Permitted Real Property Encumbrances.

(b) To the knowledge of the Transferring Parties, the buildings constructed on the Real Property described or listed in Schedules 3.5(a), 3.5(b)(A), 3.5(c)(A) or 3.5(O) are in a state of reasonable condition and repair adequate for the continued use of the property during the term of any applicable lease, are structurally sound, and in need of no material maintenance or repairs except for ordinary, routine maintenance.

(c) To the knowledge of the Transferring Parties, no Transferring Party has received notice of condemnation or similar proceeding relating to the Real Property described or listed in Schedules 3.5(a), 3.5(b)(A), 3.5(c)(A) or 3.5(O) or any part thereof.

(d) Subject to the payment of the Cure Costs by the Governing Entity in accordance with this Settlement Agreement and subject to the satisfaction of the conditions set forth in Section 6.3, and except as set forth in Schedules 3.5(b)(A) and 3.5(c)(A), each of the Real Property leases described in Schedules 3.5(a), 3.5(b)(A) or 3.5(c)(A) is in full force and effect and enforceable in accordance with their respective terms and are for the periods set forth in Schedules 3.5(a), 3.5(b)(A) and 3.5(c)(A). Except as set forth on Schedules 3.5(a), 3.5(b)(A) or 3.5(c)(A), the Transferring Parties have not received written notices of cancellation, termination, or default under any lease nor do any conditions currently exist which, with or without notice or lapse of time, or both, would constitute a default under the lease.

(e) Subject to the payment of the Cure Costs by the Governing Entity in accordance with this Settlement Agreement and subject to satisfaction of the conditions described in Section 6.3, the transactions contemplated by this Settlement Agreement will not constitute an assignment or other event which is not permitted by any of the real property leases described in Schedules 3.5(a), 3.5(b)(A) and 3.5(c)(A).

(f) Except as set forth in Schedule 3.5(O), there are no sale contracts, leases, subleases, licenses, purchases, assignments or other agreements for the transfer of any part of the Real Property described on Schedule 3.5(O) or which allow Persons other than the Transferring Parties to use or occupy the Real Property described on Schedule 3.5(O) or any part thereof.

(g) Subject to the payment of the Cure Costs by the Governing Entity in accordance with this Settlement Agreement, and assuming the performance by the Allegheny Entities of their obligations under Section 5.10, as of the Closing Date all material payment obligations of the Transferring Parties in respect of the Assigned AHERF Real Property Leases, the Assigned AUMP Real Property Leases and the Assigned AUHS Real Property Leases will be paid in full for all periods through and including the month in which the Closing Date occurs.

(h) The Rejected AUHS Leases listed or described on Schedule 3.5(c)(R) constitute all of the leases of real property used in the Transferred Assets Businesses that have been or are scheduled to be rejected by the AUHS Estate during the pendency of its bankruptcy case. The Rejected AUMP Leases listed or described on Schedule 3.5(b)(R) constitute all of the leases of real property used in the Transferred Assets Businesses that have been or are scheduled to be rejected by AUMP during the pendency of its bankruptcy case.

(i) The Real Property described in Schedules 3.5(b)(A), 3.5(c)(A), and 3.5(O), including the buildings and other improvements thereon, is in compliance with all applicable subdivision, land use, zoning, building law codes and other Legal Requirements.

3.6 Environmental Matters. Except as described on **Schedule 3.6**, the Transferred Assets are in compliance in all material respects with all Environmental Laws and there are no circumstances in existence that would prevent or interfere with compliance by the Transferred Assets in all material respects with Environmental Laws. No Materials of Environmental Concern have been or are on, or in, or released or generated or disposed from the Transferred Assets, except those materials (i) routinely used in connection with typical hospital uses, (ii) used or disposed of in material compliance with applicable Legal Requirements, and (iii) which do not and will not, with the passage of time, require any environmental remediation under applicable Legal Requirements. Except as described on **Schedule 3.6**, no Transferring Party has received any communication from any Person alleging that, with respect to the Transferred Assets, any Transferring Party is not in compliance in all material respects with Environmental Laws. Each Transferring Party has all permits, licenses and approvals required under applicable Environmental Laws to own or lease the Real Property (as applicable) and to conduct the Transferred Assets Businesses thereon as they are currently conducted.

3.7 Intellectual Properties, Computer Software, etc. **Schedule 3.7** sets forth a list of the Intellectual Property used in or developed in connection with the Transferred Assets Businesses, and of any and all computer software, software licenses, systems maintenance agreements and similar agreements, instruments, contracts and similar systems that are necessary in order for the operation of the Transferred Assets Businesses to continue uninterrupted and in an orderly fashion in accordance with past practice as of the Closing Date and that the Governing Entity has designated for assignment hereby. Except as otherwise described in **Schedule 3.7** and except for customary licensing or royalty fees payable under the Contracts, the Transferring Parties have the right to use all of the Transferred Assets listed on **Schedule 3.7** free and clear of any royalty or other payment obligations, claims of infringement or other liens. Except for events of default arising as a result of the filing of a voluntary petition for relief under Chapter 11 of the Bankruptcy Code, and as set forth on **Schedule 3.7**, and subject to the payment of the Cure Costs by the Governing Entity in accordance with this Settlement Agreement, no Transferring Party is in material violation or infringement of, nor has any Transferring Party received a notice alleging any violation or infringement of, any rights of any other Person with respect to any such Intellectual Properties or computer software, programs or similar systems. **Schedule 7.7(c)** sets forth a true and correct statement of the amount of any Cure Costs that must be paid in order for the transfer, assignment or conveyance of such software, software licenses, systems maintenance agreements and other instruments and contracts to be validly consummated pursuant to this Agreement.

3.8 Insurance. **Schedule 3.8** describes all material insurance arrangements, including self-insurance, in place for the benefit of the Transferred Assets and the conduct of the Transferred Assets Businesses. With respect to third party insurance, **Schedule 3.8** sets forth the name of each insurer, whether such insurer is an Affiliate of any Transferring Party, and the number, coverage, limits, term and premium for each policy of insurance purchased or held by the Transferring Parties covering the ownership and operation of the Transferred Assets and the Transferred Assets Businesses.

3.9 Permits and Licenses. The Transferring Parties hold or own all material licenses, permits, grants, authorizations, easements, variances, exemptions, consents, approvals, orders, accreditations by Accreditation Bodies, franchises and certificates of need (including applications therefor) (collectively, the "Permits") necessary to the ownership, development or operations of the Transferred Assets Businesses and the Transferred Assets, a true and complete list of which is reflected on Schedule 3.9. AUMP and AUHS are duly licensed by the appropriate state agencies and any ancillary departments located at the facilities of the Transferred Assets Businesses that are required to be specifically licensed are duly licensed by the appropriate state agencies, and have the accreditations from Accreditation Bodies listed on Schedule 3.9. Except as described in Schedule 3.9, the Transferred Assets Businesses are in compliance in all material respects with such licensing and accreditation requirements and there is no action proceeding or investigation pending or threatened that could result in suspension or cancellation of any of the Permits.

3.10 Agreements and Commitments.

(a) The Assigned AUMP Physician Agreements listed or described on Schedule 3.10(a)(A) constitute each of the material Contracts with physicians and physician practices to which AUMP is a party other than the Rejected AUMP Physician Agreements. As of the Closing Date, subject to the payment or provision for the Cure Costs by the Governing Entity Physician Organization as contemplated by this Settlement Agreement, all obligations of AUMP under the Assigned AUMP Physician Agreements will be paid in full for all periods through the month in which the Closing Date occurred. The Rejected AUMP Physician Agreements listed or described on Schedule 3.10(a)(R) constitute each of the contracts with physicians whose practice is located in Western Pennsylvania and physician practices located in Western Pennsylvania to which AUMP is a party that have been or are scheduled to be rejected by the AUMP Estate during the pendency of its bankruptcy case.

(b) The Assigned AUHS Physician Agreements listed or described on Schedule 3.10(b)(A) constitute each of the material Contracts with physicians to which AUHS is a party other than the Rejected AUHS Physician Agreements. As of the Closing Date, subject to the payment or provision for the Cure Costs by the Governing Entity Physician Organization as contemplated by this Settlement Agreement, all obligations of AUMP under the Assigned AUHS Physician Agreements will be paid in full for all periods through the month in which the Closing Date occurred. The Rejected AUHS Physician Agreements listed or described on Schedule 3.10(b)(R) constitute each of the Contracts with physicians whose practice is located in Western Pennsylvania to which AUHS is a party that have been or are scheduled to be rejected by AUHS during the pendency of its bankruptcy case.

(c) The Transferred Grants listed or described on Schedule 3.10(c) constitute all Grant Agreements to which AUHS, AUMP or AHERF is a party or under which AUHS, AUMP or AHERF is the grantee. The Grants listed on Schedule 3.10(c) listed as "Assigned AUHS Sponsored Projects", "Rejected AUHS Sponsored Projects" and "Project Ended" shall

all be deemed to be Transferred Grants. Schedule 3.10(c) also includes a list of applications for Grants and Grants in negotiation that are included in the Transferred Grants.

(d) The Transferred Endowments included within Schedule 3.18 constitute all of the Endowments that were intended to be for the use or benefit of one or more of the Allegheny Entities and the interests of the Allegheny Entities in which may have been transferred to AHERF pursuant to that certain order of the Orphan's Court, dated June 30, 1988, or that may be otherwise recorded in the name of or carried on the books of AHERF or any Affiliate of AHERF other than the Allegheny Entities.

(e) The Assigned AHERF Agreements listed and described on Schedule 3.10(e) constitute those material Contracts to which AHERF is a party, that are not listed on any Schedule referenced in Section 3.3, Section 3.5, Section 3.7 or Section 3.9 and that are used or useful in the conduct of the Transferred Assets Businesses.

(f) The Assigned AUHS Agreements listed and described on Schedule 3.10(f) constitute those material Contracts to which AUHS is a party that are not listed on any Schedule referenced in Section 3.3, Section 3.5, Section 3.7, Section 3.9 or Section 3.10(b) and that are used or useful in the conduct of the Transferred Assets Businesses.

(g) The Assigned AUMP Agreements listed and described on Schedule 3.10(g) constitute those Contracts to which AUMP is a party that are not listed on any Schedule referenced in Section 3.3, Section 3.5, Section 3.7, Section 3.9 or Section 3.10(a) and that are used or useful in the conduct of the Transferred Assets Businesses.

(h) Except for Contracts listed on a schedule to this Agreement, complete and correct copies of which have been made available by the Transferring Parties to the Governing Entity;

(i) there are no material Contracts adversely affecting the ownership or use of, title to or interest in any Transferred Assets;

(ii) there are no material Contracts with providers, physicians or physician groups;

(iii) there are no material employment or severance Contracts; and

(iv) there are no material contracts for the management of any part of the Transferred Assets Businesses.

(i) Except for events of default arising as a result of the filing of a voluntary petition for relief under Chapter 11 of the Bankruptcy Code, and except as set forth on Schedule 3.10(e), subject to the payment of the Cure Costs by the Governing Entity in accordance with

this Settlement Agreement, none of the Transferring Parties is in material breach of any of Assigned Contracts.

3.11 Employees and Employee Relations.

(a) The Governing Entity has separately received (i) a complete list (as of the date set forth therein) of names, positions, current annual salaries or wage rates, and bonus and other compensation arrangements of all full-time and part-time non-physician employees of AHERF, AUMP and AUHS employed in the operation of the Transferred Assets Businesses as of a date no earlier than April 1, 1999, and (ii) a separate complete list (as of the date set forth therein) of names, positions, current annual salaries or wage rates, and bonus and other compensation arrangements of all full-time and part-time physician employees of AUMP and AUHS as of a date no earlier than April 1, 1999, (indicating in both lists whether each employee is part-time or full-time, the name of the employer of such employee and whether such employee is employed under written Contract).

(b) No employees of any Transferring Party are represented by, or have made demand for recognition of, a labor union or employee organization, and no other union organizing or collective bargaining activities by or with respect to any employees of any Transferring Party are taking place.

3.12 AUHS and AUMP Financial Statements. The AUHS/AUMP Balance Sheet attached hereto as Schedule 3.12 fairly reflects in all material respects the assets and liabilities of AUHS and AUMP as of its date, in accordance with GAAP.

3.13 Legal and Regulatory Compliance. Except as described in Schedule 3.13, AUMP and AUHS are in compliance with all Legal Requirements, and have timely filed all reports, data and other information required to be filed with Governmental Authorities. To the knowledge of the Transferring Parties, except as described on Schedule 3.13, neither AUHS nor AUMP has received notice or otherwise has knowledge from any Person of any proceeding, audit or investigation by Governmental Authorities or any other Person.

3.14 Government Reimbursement Programs and Other Payor Programs.

(a) To the extent required, each of AUHS and AUMP is qualified for participation in and has current and valid provider contracts with the Government Reimbursement Programs and the Non-Governmental Payor Programs under which such entity has received reimbursement or direct payments in respect of services rendered and/or with the fiscal intermediaries or paying agents under such programs, and complies in all material respects with the conditions of participation therein. To the extent required, AUHS and AUMP are entitled to payment under the Government Reimbursement Programs and the Non-Governmental Payor Programs for services rendered to qualified beneficiaries and have received all approvals or qualifications necessary for capital reimbursement, if any, on the Transferred Assets. Neither AUHS nor AUMP has received or submitted any claim for payment in excess of the amount

provided by, or otherwise in violation of, law or applicable regulations and, except as described on Schedule 3.14, neither AUHS nor AUMP has received notice of or otherwise has knowledge of any dispute or claim by any Governmental Authority, fiscal intermediary or other person regarding the Government Reimbursement Programs or the Non-Governmental Payor Programs or AUMP's or AUHS's participation therein. The AUHS/AUMP Balance Sheet reflect proper and adequate reserves for all normal and customary audit and contractual adjustments for which the businesses of AUHS and AUMP will be liable under the Government Reimbursement Programs and the Non-Governmental Payor Programs.

(b) All claims for payment on the part of AUMP and AUHS to patients and to third party insureds under the Government Reimbursement Programs and Non-Governmental Payor Programs are valid and enforceable in accordance with their terms, subject only to contractual adjustments. No such claims are subject to offset, recoupment or counterclaim by any patients, Governmental Authority or other third party payor.

3.15 Employee Benefit Plans. Schedule 3.15 lists each Employee Benefit Plan and Other Plan that any Transferring Party or any member of the Controlled Group that includes any Transferring Party has been a sponsor of or, party to, maintains or to which it contributes (including employee elective deferrals), or is required to contribute.

~~3.16 Litigation and Proceedings.~~

(a) Subject to the satisfaction of the conditions set forth in Article VI and Article VII, there are no claims, actions, suits, litigation, arbitration, mediations, investigations and other proceedings pending or threatened against the Transferring Parties which prevent or which seek to prevent the execution, delivery or performance of this Agreement or which affect or seek to affect adversely the execution, delivery or performance of the obligations hereunder.

(b) Schedule 3.16 sets forth a list and summary description of all material claims, actions, suits, litigation, arbitration, mediations, investigations and other proceedings pending or threatened against AUMP or AUHS as of the date of this Agreement which are not stayed pursuant to Section 362 of the Bankruptcy Code. None of the liabilities or obligations of AUMP or AUHS in respect of the matters described on this Schedule 3.16 shall constitute Assumed Balance Sheet Liabilities.

3.17 Medical Staff. The Transferring Parties have made available to the Governing Entity copies of any bylaws, rules, or regulations currently in effect with respect to the medical staff and medical executive committees of AUHS and AUMP. To the knowledge of the Transferring Parties, each professionally licensed employee of any of the Transferring Parties is and at all times during his or her employment with such Transferring Party has been duly licensed by all applicable licensing bodies and has held all professional certificates and designations appropriate to the functions discharged by him or her.

3.18 Confirmed Endowments: Special Funds.

(a) Subject to the occurrence of the Closing, the Transferring Parties confirm that they have no right, title or interest in or to any of the Confirmed Endowments listed on Schedule 3.18, and consent to the entry of an order or orders of court(s) of competent jurisdiction confirming the legal ownership of the Confirmed Endowments in the respective Allegheny Entities or their fiduciaries listed on Schedule 3.18. It is recognized that (i) the listing of market values of Confirmed Endowments on Schedule 3.18 is for informational and identification purposes only and is neither dispositive nor warranted, and (ii) the listing of Confirmed Endowments on Schedule 3.18 is not intended to represent a disclaimer of ownership by the Allegheny Entities with respect to any Endowment that is not so listed.

(b) To the knowledge of the Transferring Parties, except as has been described in a proof of claim or amendment thereto filed with the Bankruptcy Court on behalf of the Commonwealth of Pennsylvania (and without constituting an admission or denial of the matters described in such proof of claim), and other than unpaid loans made from restricted assets of AUHS as reflected on the AUHS/AUMP Balance Sheet, all of the Transferred Assets that are subject to Endowment and Grant Restrictions have been maintained, used and applied in accordance with such Endowment and Grant Restrictions. Except for the Endowment and Grant Restrictions set forth or described in Schedule 3.18, none of the Transferred Assets are subject to any liability in respect of funds received by any Person for the purchase, improvement or use of any of the Transferred Assets or the conduct of the Transferred Assets Businesses under restricted or conditioned grants or donations, including monies received under the Hill-Burton Act or from any other Governmental Authority.

3.19 Payments. To the knowledge of the Transferring Parties, no Transferring Party has, directly or indirectly, paid or delivered or agreed to pay or deliver any fee, commission or other sum of money or item of property, or other consideration, however characterized, to any Person which is in any manner related to the Transferred Assets or the Transferred Assets Businesses in violation of any Legal Requirement. To the knowledge of the Transferring Parties, no Transferring Party, nor any officer, director or trustee of any Transferring Party has received or, as a result of the consummation of the transaction contemplated by this Settlement Agreement, will receive any rebate, kickback or other payment in violation of any Legal Requirement.

3.20 Operation of the Businesses. The Transferred Assets constitute all assets (other than working capital), properties, goodwill and businesses necessary to operate the Transferred Assets Businesses in all material respects in the manner in which they have been operated since the date of the AUHS/AUMP Balance Sheet.

3.21 Restricted Assets. The Transferring Parties own and hold good and valid title to all Restricted Assets, free and clear of any Encumbrances other than the Endowment and Grant Restrictions and any applicable Legal Requirements.

3.22 Full Disclosure. This Agreement and the schedules and exhibits hereto, including the Affiliation Agreement and the schedules and exhibits thereto, do not contain any material misstatement of fact or, when taken as a whole, omit to state a material fact necessary to make the statements contained herein or therein not misleading.

4. REPRESENTATIONS AND WARRANTIES OF THE GOVERNING ENTITY, THE ALLEGHENY ENTITIES AND AUH-WEST

Each of the Governing Entity as to itself, the Governing Entity Physician Organization and West Penn, and the Allegheny Entities as to themselves and AUH-West as to itself makes the following representations and warranties to the Transferring Parties, the Trustee and the Unsecured Creditors Committee on and as of the date hereof and shall be deemed to make them again at and as of the Closing:

4.1 Organization. Each of the Governing Entity, West Penn, the Governing Entity Physician Organization, the Allegheny Entities and AUH-West is a non-profit corporation duly organized and validly subsisting under the laws of the Commonwealth of Pennsylvania.

4.2 Corporate Powers; Consents; Absence of Conflicts, Etc. Each of the Governing Entity, the Governing Entity Physician Organization, each of the Allegheny Entities and AUH-West has the requisite power and authority to conduct its business as now being conducted, to enter into this Settlement Agreement, and to perform its obligations hereunder. Any document or instrument executed by West Penn hereunder is or will when it is executed and delivered be duly authorized by all requisite corporate action of West Penn. The execution, delivery and performance by the Governing Entity, each of the Allegheny Entities and AUH-West of this Agreement and the consummation of the transactions contemplated herein by it and the execution, delivery and performance of the agreements executed by West Penn hereunder to which it is a party:

(a) are within its corporate powers and are not in contravention of the terms of its articles of incorporation and bylaws, as amended to date, and have been approved by all requisite corporate action;

(b) except as otherwise expressly herein provided, do not require any approval or consent of, or filing with, any Governmental Authority;

(c) do not conflict with or result in any breach or contravention of, any material agreement to which it is a party or by which it is bound; and

(d) do not violate any Legal Requirement to which it may be subject.

4.3 Binding Agreement. This Agreement and all instruments and agreements hereunder to which the Governing Entity, the Governing Entity Physician Organization, any Allegheny Entity or AUH-West is or becomes a party, and any instruments or agreements

executed hereunder by West Penn, are (or upon execution will be) valid and legally binding obligations of such party enforceable against it in accordance with the respective terms hereof and thereof, except as enforceability against them may be restricted, limited or delayed by applicable bankruptcy or other laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity.

4.4 Brokers and Finders. Neither the Governing Entity, the Governing Entity Physician Organization, West Penn nor any Affiliate of the Governing Entity, or West Penn, nor AUH-West nor any officer, director, employee or agent thereof, has engaged any finder or broker in connection with the transactions contemplated hereunder.

4.5 Payments. Neither the Governing Entity, the Governing Entity Physician Organization, West Penn nor any Affiliate of the Governing Entity, or West Penn, or AUH-West, or any officer, director, employee or agent thereof, has, directly or indirectly, paid or delivered, offered to pay or deliver, or agreed to pay or deliver any fee, commission or other sum of money or item of property, however characterized, to any Person which is now or was previously an Affiliate or insider of the Transferring Parties or the Allegheny Entities to induce the consent or approval of such Person with respect to the transactions contemplated hereby.

5. COVENANTS AND AGREEMENTS OF THE PARTIES

5.1 Operations. The parties acknowledge and agree that, notwithstanding that the Transferred Assets and the Transferred Assets Businesses are owned by the Transferring Parties, the Transferring Parties do not exercise sole control over all aspects of the Transferred Asset Businesses. Until the Closing Date, except as otherwise expressly provided in this Settlement Agreement and subject to the obligations of the Transferring Parties to comply with any applicable order of the Bankruptcy Court, the Transferring Parties shall not take any action that is within their control and that is inconsistent with the following:

(a) (i) carrying on the Transferred Assets Businesses in the ordinary course and in substantially the same manner as they have heretofore; (ii) without limiting the generality of the foregoing, it is specifically agreed that the Transferring Parties shall apply all proceeds of the collection of accounts receivable of AUHS and AUMP to the payment of liabilities that would otherwise constitute Assumed Balance Sheet Liabilities;

(b) maintaining the Transferred Assets in good working order and condition, ordinary wear and tear excepted;

(c) performing when due all Legal Requirements relating to or affecting the Transferred Assets;

(d) keeping in full force and effect present insurance policies or other comparable insurance benefitting the Transferred Assets;

(e) permitting and allowing reasonable access by the Governing Entity to establish, effective as of the Closing Date, relationships with physicians, payors and other Persons having business relations with the Transferring Parties.

5.2 Certain Actions. Until the Closing Date, except as otherwise expressly provided in this Settlement Agreement and subject to the obligations of the Transferring Parties to comply with any applicable order of the Bankruptcy Court, the Transferring Parties shall not take any of the following actions that is within their control, except as necessary to preserve the assets of the Estates or with the approval of the Bankruptcy Court:

(a) assigning, amending or terminating any Contract constituting a Transferred Asset, except for Immaterial Contracts or in the ordinary course of business;

(b) increasing compensation benefits, or other remuneration payable or to become payable to, make a bonus or severance payment to, or otherwise entering into one or more bonus or severance agreements with, any employee or agent of any Transferring Party, or appointing, hiring or engaging any employee except for non-professional, at-will employees hired in the ordinary course of the Transferred Assets Businesses;

(c) creating, agreeing to create, guaranteeing, assuming or permit to exist any new Encumbrance upon any of the Transferred Assets;

(d) selling, assigning, transferring, distributing or otherwise transferring or disposing of any Transferred Assets other than owned personal property in the ordinary course of business subject to the replacement thereof with comparable replacements;

(e) taking any action outside the ordinary course of the Transferred Assets Businesses;

(f) canceling, forgiving, releasing, discharging or waiving any receivable or any similar Asset that may constitute a Practice Account Receivable, or agreeing to do any of the foregoing, except in the ordinary course of the Transferred Assets Businesses consistent with past practices and with respect to a Person that is not an Affiliate of any Transferring Party or any Allegheny Entity;

(g) terminating, amending or otherwise modifying any Employee Benefit Plan or Other Plan, except for amendments required to comply with applicable Legal Requirements;

(h) applying the proceeds of the collection of any accounts receivable of AUHS or AUMP for any purpose other than the payment of liabilities that would constitute Assumed Balance Sheet Liabilities; or

(i) requiring any cash payment from the Allegheny Entities or AUH-West that does not represent a charge for the direct cost of services that had been provided for the benefit of an Allegheny Entity, AUHS or AUMP for periods after March 1, 1999.

5.3 Access to and Provision of Additional Information.

(a) Until the Closing, the Transferring Parties shall provide to the Governing Entity, on reasonable request and during normal business hours, full and complete access to and the right to inspect and copy, at the Governing Entity's cost, the Transferred Assets, books and records of the Transferring Parties relating to the Transferred Assets Businesses, access to the Transferring Parties' files and other records regarding claims, actions, suits, litigation, arbitration, mediations, investigations and other proceedings pending against or otherwise affecting the Transferred Assets Businesses or the Transferred Assets, and such additional financial, operating and other data and information regarding the Transferred Assets Businesses as the Governing Entity may from time to time reasonably request, whether such books, records and data are in the possession of the Transferring Parties or in the possession of a consultant or advisor to the Transferring Parties.

(b) After the Closing, the Transferring Parties, the Trustee and the Unsecured Creditors Committee shall have the opportunity to review, and the Allegheny Entities shall provide to the Transferring Parties, on reasonable request and during normal business hours, full and complete access to and the right to inspect the Transferred Assets and to inspect and copy all books and records relating to the Transferred Assets Businesses that are in the possession of or controlled by the Allegheny Entities, including any Allegheny Entities' files and other records regarding claims, actions, suits, litigation, arbitration, mediations, investigations and other proceedings pending against or otherwise affecting the Transferred Assets Businesses or the Transferred Assets, whether such books, records and data are in the possession of the Allegheny Entities or in the possession of a consultant or advisor to the Allegheny Entities, all of the foregoing at the reasonable cost and expense of the Transferring Parties.

(c) The exercise of any right of access granted herein shall not unreasonably interfere with the business operations of the Transferred Asset Businesses.

5.4 Governmental Authority Approvals: Consents to Assignment. Until the Closing Date, each Transferring Party, each Allegheny Entity and the Governing Entity shall (i) promptly apply for and use all reasonable efforts to obtain as soon as practicable all consents, approvals, authorizations and clearances of Governmental Authorities required of it to consummate the transactions contemplated hereby, (ii) provide such information and communications to Governmental Authorities as the other party or such Persons may reasonably request, (iii) reasonably assist and cooperate with other parties to obtain all consents, licenses, permits, approvals, authorizations and clearances of Governmental Authorities that the other parties reasonably deem necessary or appropriate, and to prepare any document or other information reasonably required of it by any such Persons to consummate the transactions contemplated herein, and (iv) otherwise use all reasonable efforts to cause the Closing to occur as soon as possible; provided that, notwithstanding the foregoing, no party shall have any obligation under such provisions to pay any cash amounts to Governmental Authorities other than filing fees.

5.5 Further Acts and Assurances. At any time and from time to time at and after the Closing, upon request of a party, each other party shall do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such further acts, deeds, powers of attorney, confirmations and assurances as the requesting party may reasonably request to more effectively consummate the transactions contemplated, including to more effectively and completely convey the Transferred Assets to or as directed by the Governing Entity. Each party shall also furnish, at the reasonable request and sole cost of another party, such information and documents in its possession or under its control, or which such furnishing party can execute or cause to be executed, as will enable the requesting party to prosecute any and all petitions, applications, claims and demands relating to the transactions contemplated hereby.

5.6 Restricted Assets. The Governing Entity acknowledges that the Restricted Assets are subject to the Endowment and Grant Restrictions. The Governing Entity will cause the Allegheny Entities to take such actions after Closing as are reasonably necessary to comply with the conditions of such Endowment and Grant Restrictions, including but not limited to establishment and maintenance of the Endowment and Grant Accounts.

5.7 Costs and Expenses.

(a) Except as otherwise expressly set forth in this Agreement, all expenses of the preparation of this Agreement and of the consummation of the transactions contemplated hereby, including counsel, accounting, brokerage and investment advisor fees and disbursements, shall be borne by the respective party incurring such expense, whether or not such transactions are consummated.

(b) The Governing Entity shall pay the cost of environmental, engineering and other professional studies undertaken by the Governing Entity.

5.8 Covered Rejected Agreements. Schedule 5.8 lists all physician agreements and leases (the "Covered Rejected Agreements") that (i) as of April 20, 1999 had not been subject to a motion to reject filed by the Estates, and (ii) are included in schedules of Rejected AUHS Physician Agreements listed on Schedule 3.10(b)(R), Rejected AUHS Leases listed on Schedule 3.3(c)(R) or Schedule 3.5(c)(R), Rejected AUMP Physician Agreements listed on Schedule 3.10(a)(R) and/or Rejected AUMP Leases listed on Schedule 3.3(b)(R) or Schedule 3.5(b)(R). Service and maintenance agreements associated with physician agreements and leases that are Covered Rejected Agreements shall also be deemed to constitute Covered Rejected Agreements. The Estates shall promptly, and in any event within thirty days (30) after the date of this Settlement Agreement, file a motion with the Bankruptcy Court to reject each Covered Rejected Agreement, and the Covered Rejected Agreement shall not constitute an Assigned AUHS Personal Property Lease, Assigned AUHS Physician Agreement, Assigned AUHS Real Property Lease, Assigned AUMP Personal Property Lease, Assigned AUMP Physician Agreement or Assigned AUMP Real Property Lease for any purpose hereof. Between the date hereof and the Closing Date, the Governing Entity shall be permitted by notice given to the Trustee to supplement and add to the Schedules of Covered Rejected Agreements, provided that no such additions shall decrease the number of physicians listed on Schedule 3.10(a)(A) (Assigned AUMP Physician Agreements) or on Schedule 3.10(b)(A) (Assigned AUHS Physician

Agreements, by more than 10% by number of physicians (in each case as compared to such schedules as of the date hereof). In addition, if after the date hereof either the Governing Entity or the Transferring Parties identifies personal property leases to which AUHS is a party and that are listed on neither Schedule 3.3(c)(A) or 3.3(c)(R), then upon such identification, the Governing Entity shall give notice of whether it elects to treat such personal property leases as being included in Schedule 3.3(c)(A) or 3.3(c)(R). Upon the giving of any such notice described in this Section 5.8 which adds to a schedule of rejected agreements or leases, (i) the Estates shall promptly, and in any event within 30 days after the giving of such notice, file a motion to reject the applicable agreement or lease and thereafter use all reasonable efforts to cause such rejection to become final, (ii) the applicable agreement or lease so added to such Schedule shall be deemed to constitute a part of such Schedule for all purposes hereof, (iii) the applicable agreement or lease shall not constitute an Assigned AUHS Personal Property Lease, Assigned AUHS Physician Agreement, Assigned AUHS Real Property Lease, Assigned AUMP Personal Property Lease, Assigned AUMP Physician Agreement or Assigned AUMP Real Property Lease for any purpose hereof, (iv) such agreements shall constitute Covered Rejected Agreements.

5.9 Payment in Respect of Covered Rejected Agreements. When the Final Unsecured Payment Percentage has been determined for a given Estate, the Trustee on behalf of such Estate shall give notice to the Governing Entity of the following (in each case without taking into consideration the payments required to be made by the Governing Entity under this Section 5.9): (i) the aggregate amount of payments such Estate would be required to make under the Covered Rejected Agreements; (ii) the portion of the amount described in clause (i) that is properly classifiable as an unsecured claim against such Estate (the "Covered Unsecured Claim Amount"); (iii) the portion of the amount described in clause (i) that constitutes an administrative claim against such Estate (the "Covered Administrative Claim Amount"); and (iv) the portion of the amount described in clause (i) that constitutes a priority claim against such Estate (the "Covered Priority Claim Amount"). The Governing Entity Accountant shall have thirty (30) days to review the report reflected in such notice, and shall during such thirty (30) day period have access to the books and records of such Estate that are necessary to analyze and verify the figures and amounts reflected in such report. If the Governing Entity Accountant does not agree with the calculation or classification of any amounts reflected in such report, any such disagreements shall be referred to the Arbiter for resolution. The Arbiter shall resolve any such disagreements within a further period of thirty (30) days, and any such resolution shall be final, conclusive and binding upon the parties hereto. If the Governing Entity Accountant does not disagree with the calculations and classifications reflected in such report, or in the event of any such disagreements upon the resolution thereof by the Arbiter, within five (5) days after the thirtieth day following the giving of such notice of such report (or within five (5) days after the resolution of such disagreements by the Arbiter as applicable), the Governing Entity shall pay or cause to be paid to the Trustee on behalf of such Estate an amount equal to the sum of (i) the product of (x) 50% times (y) the Final Unsecured Payment Percentage applicable to such Estate times (z) the Covered Unsecured Claim Amount, and (ii) the product of (x) 50% times (y) the sum of Covered Administrative Claim Amount and the Covered Priority Claim Amount for such Estate.

5.10 Payment of Direct Costs. From and after the date hereof the Allegheny Entities shall promptly pay to the applicable Transferring Parties, not less frequently than monthly, all

amounts that represent charges for the direct cost of goods or services provided by any Person for the benefit of any Allegheny Entity, AUHS, AUMP or otherwise for the benefit of the Transferred Asset Businesses for periods after March 1, 1999. In no event shall any party other than the Allegheny Entities, including without limitation the Governing Entity, have any liability for the payment of any obligation described in this Section 5.10.

5.11 Litigation Support. In the event and for so long as any of the Transferring Parties or their Affiliates, the Trustee or the Unsecured Creditors Committee actively is pursuing, contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand in connection with any fact, circumstance, status, condition, practice, plan, occurrence, event, incident, action, failure to act, or transaction involving any of the Transferring Parties or their Affiliates or the Transferred Asset Businesses, each other party shall cooperate with him or it and with his or its counsel, and will make, at reasonable times and on reasonable notice, available their personnel, and provide such testimony and, at reasonable times and on reasonable notice, access to their books and records as shall be necessary in connection with the pursuit, contest or defense, all at the cost and expense of the pursuing, contesting or defending party.

5.12 Transition Services. At and subject to Closing, AHERF, the Governing Entity and certain of the Allegheny Entities shall enter into a transition services agreement (the "Transition Services Agreement") in form and substance satisfactory to the Transferring Parties and the Governing Entity.

5.13 Releases and Reconveyance. The Governing Entity will not and will cause its Affiliates not to enter into a settlement and release with a party to a Rejected AUMP Physician Agreement or a Rejected AUHS Physician Agreement unless the benefit of such settlement and release extends to and releases the Transferring Parties from all claims of such party. If within six months after the Closing the Governing Entity shall not have obtained such a release in favor of the Transferring Parties as to physician party to any Rejected AUMP Physician Agreement or Rejected AUHS Physician Agreement, the Governing Entity Physician Organization shall at the request of the Trustee convey back to the Estates (as directed by the Trustee) the tangible personal property utilized directly in the practice of such physician, without warranty or recourse, for consideration equal to \$10.

5.14 Public Announcements. No party, nor any of their Affiliates, shall make any public announcement with respect to this Settlement Agreement, the Affiliation Agreement or the transactions contemplated hereby or thereby without making a good faith effort to consult with the other parties.

5.15 RAP Matters. Notwithstanding anything to the contrary in this Settlement Agreement, the obligations of the parties, if any, with respect to the RAP Plan and any pension liabilities arising thereunder or in connection therewith shall be governed by the PBGC Agreement in the form attached as Exhibit 5.15. The Closing hereunder shall not occur except upon the simultaneous closing under the PBGC Agreement, and the terms of the PBGC Agreement shall survive the Closing hereunder notwithstanding anything to the contrary in this Settlement Agreement.

6. **CONDITIONS PRECEDENT TO OBLIGATIONS OF THE TRANSFERRING PARTIES**

The obligations of the Transferring Parties hereunder are subject to the reasonable satisfaction of the Transferring Parties that, on or prior to the Closing Date, the following conditions have been satisfied, unless waived in writing by the Transferring Parties (it being understood that, except for the conditions set forth in Section 6.5, which may be waived only with the consent of the PBGC, and for the condition set forth in Section 6.9(ii), which may not be waived, each of the following conditions may be deemed to be satisfied or may be waived only in the sole discretion of the Transferring Parties and neither the Transferring Parties nor any of their Affiliates shall have any liability or obligation to any other party hereto as a result of any determination of the Transferring Parties that any such condition has failed to be satisfied):

6.1 Representations and Warranties; Covenants.

(a) The representations and warranties of the Governing Entity contained in this Agreement shall be true and correct in all material respects on the Closing Date, as if made on and as of the Closing Date.

(b) - The terms, covenants and agreements to be complied with or performed by the Governing Entity and the Allegheny Entities on or before the Closing Date shall have been complied with and performed, including without limitation the obligations of the Allegheny Entities pursuant to Section 5.10 and the obligations of the Governing Entity in Section 8.3.

6.2 Adverse Action or Proceeding. No action or proceeding before any Governmental Authority shall have been instituted or threatened to restrain or prohibit the transactions herein contemplated and shall continue to be pending, and there shall not be in effect any order restraining, enjoining or otherwise preventing consummation of the assignment, transfer and conveyance of the Transferred Assets and the other transactions contemplated hereunder.

6.3 Pre-Closing Confirmations. An order of the Bankruptcy Court authorizing the consummation of the transactions contemplated hereby shall have been entered that is reasonably satisfactory to the Transferring Parties, and such order shall have fixed the level of Cure Costs in accordance with Schedule 7.7(c) or otherwise in a manner satisfactory to the Transferring Parties. The Transferring Parties shall have obtained documentation or other evidence reasonably satisfactory to the Transferring Parties that (i) the Transferring Parties, the Allegheny Entities and the Governing Entity have received or will receive the other approvals, authorizations and clearances of Governmental Authorities and other Persons required of them or advisable in the judgment of the Transferring Parties or the Trustee or the Unsecured Creditors Committee to consummate the transactions contemplated hereby, the failure to receive which would violate the provisions of applicable law or expose any Transferring Party or the Governing Entity or any Allegheny Entity to any material liability; and (ii) all applicable waiting periods under the HSR Act have expired.

6.4 Deliveries at Closing. The Governing Entity, West Penn and the Allegheny Entities and AUH-West shall have delivered to the Transferring Parties or the Trustee, as applicable, in form reasonably acceptable to the Transferring Parties, the Trustee and the Unsecured Creditors Committee, all agreements, instruments, certificates or other documents required to be executed by the Governing Entity, West Penn or any Allegheny Entity or AUH-West pursuant to this Settlement Agreement.

6.5 PBGC Agreement. The parties to the PBGC Agreement other than the Transferring Parties shall have executed and delivered the PBGC Agreement in the form of Exhibit 5.15.

6.6 AUH-West. The corporate entity and unsatisfied liabilities of AUH-West shall have been dealt with in a manner satisfactory to the Transferring Parties, and AUH-West shall have delivered to and for the benefit of the Transferring Parties a release having the same effect as the release attached hereto as Exhibit 2.8(a).

6.7 No Adverse Effect on D&O Insurance. The Transferring Parties, the Trustee and the Unsecured Creditors Committee shall be satisfied that the performance of this Settlement Agreement or the Affiliation Agreement, or any of the transactions contemplated hereby or thereby, including without limitation the execution and delivery of stipulations and releases by any of the "Releasing Parties" as contemplated by Exhibit 2.1(ii) or Exhibit 2.8(a), shall not adversely affect the rights of the Transferring Parties, or any of them, the Trustee or the Unsecured Creditors Committee, or any of their respective Affiliates, under or in respect of any policy of insurance for claims that might be made against any Person in his capacity as a current or former director, officer, trustee, employee, agent or representative of any Transferring Party or their respective Affiliates.

6.8 West Penn Guarantee. West Penn shall have delivered to the Trustee on behalf of the Transferring Parties a guarantee, in form and substance reasonably satisfactory to the Trustee (including customary representations and warranties reasonably satisfactory to the Trustee), of the obligations of the Governing Entity under Section 5.9 and Section 5.13 and of the obligations of the Governing Entity Physician Organization pursuant to the Physician Entity Management and License Agreement, the Trustee shall have received the opinion of counsel to West Penn with respect to matters corresponding to those reflected in Schedule 8.3, and the Transferring Parties shall be satisfied in their discretion with the creditworthiness of West Penn.

6.9 Legal Matters. All legal matters affecting the transactions contemplated hereby shall be reasonably satisfactory to the Trustee, the Transferring Parties and the Unsecured Creditors Committee. Without limiting the generality of the foregoing, the Trustee, the Transferring Parties and the Unsecured Creditors Committee shall be reasonably satisfied that (i) the Attorney General of the Commonwealth of Pennsylvania shall have approved the terms of this Settlement Agreement, (ii) the approval of the Orphans' Court of the transfer of the Transferred Endowments and the other transactions contemplated hereby and by the Affiliation Agreement shall have been obtained, and (iii) that none of the Trustee, the Transferring Parties

and the Unsecured Creditors Committee will have any legal or equitable responsibility (statutory, in equity or at common law) for any of the Assumed Liabilities or any liabilities, debts or obligations of the Allegheny Entities.

6.10 Payment of Direct Costs. As of the Closing Date, the Allegheny Entities shall have paid to the applicable Transferring Parties all amounts that represent charges for the direct costs of goods or services provided by or for the account of any Transferring Party for the benefit of any Allegheny Entity, AUHS, AUMP or otherwise for the benefit of the Transferred Assets Businesses for periods after March 1, 1999.

6.11 Physician Entity Management and License Agreement. The Governing Entity Physician Organization shall have entered into an agreement (the "Physician Entity Management and License Agreement"), dated as of the Closing Date, in form and substance satisfactory to the Transferring Parties, pursuant to which (a) for the period between the Closing Date and the Credentialling Date, the Governing Entity Physician Organization agrees (i) to manage and administer, without compensation, the business of AUHS carried on through the Assigned AUHS Physician Agreements and the business of AUMP carried on through the Assigned AUMP Physician Agreements (including licensed physician extenders currently employed by AUHS or AUMP, the "Physician Practice Business"), (ii) to pay to AUHS or AUMP, as appropriate, when and as incurred, and on a basis such that AUHS and AUMP are not out-of-pocket, the cost of the fulfillment of the obligations of AUHS under and in respect of the Assigned AUHS Physician Agreements and of AUMP under and in respect of the Assigned AUMP Physician Agreements, (iii) to grant to AUHS a license permitting the physicians who are parties to the Assigned Physician Agreements to occupy the premises governed by the Assigned AUHS Real Property Leases and to grant to AUMP a license permitting the physicians who are parties to the Assigned AUMP Physician Agreements to occupy the premises covered by the Assigned AUMP Real Property Leases, all without any considerations, and (iv) to bear and hold AUHS and AUMP harmless from and against all risk of the conduct of the Physician Practice Business, provided that AUHS and AUMP comply with their obligations under the Physician Entity Management and License Agreement (without limiting the generality of the foregoing, it is understood that such agreement shall provide that, if the Governing Entity Physician Organization fails to fund on or prior to the due date any amount due from AUHS under or in respect of the Assigned AUHS Physician Agreements or any amount due from AUMP under or in respect of the Assigned AUMP Physician Agreements of which the Governing Entity Physician Organization has actual knowledge, then AUHS or AUMP, as applicable, shall be entitled to terminate the Assigned AUHS Physician Agreements or the Assigned AUMP Physician Agreements, as applicable, and the Governing Entity Physician Organization shall indemnify and hold harmless AUHS and AUMP from and against any and all liability, cost, expense or damage arising out of or relating to such termination), and (b) AUHS and AUMP agree (i) for the period between the Closing Date and the Credentialling Date, to authorize the Governing Entity Physician Organization to manage and administer, and to delegate to the Governing Entity Physician Organization the full discretion to manage and administer, to the full extent permitted by applicable law, the Physician Practice Business, (ii) for the period between the Closing Date and the Credentialling Date, to take all steps necessary on their respective parts to facilitate and implement such management and administration, and (iii) on the Credentialling

Date to transfer, assign and convey without representation or warranty and without recourse, all of their right, title and interest in and to the accounts receivable generated through the conduct of the Physician Practice Business during the period between the Closing Date and the Credentialing Date.

6.12 Transition Services Agreement. The Governing Entity shall have entered into the Transition Services Agreement, dated as of the Closing Date, in form and substance satisfactory to the Transferring Parties, for the provision of real estate, accounting and information services for a period of time after the Closing Date.

6.13 Covenant Regarding Suits. The Governing Entity shall have entered into a mutually acceptable covenant against lawsuits against former directors and officers of the Transferring Parties.

7. CONDITIONS PRECEDENT TO OBLIGATIONS OF THE GOVERNING ENTITY

The obligations of the Governing Entity hereunder are subject to the reasonable satisfaction of the Governing Entity on or prior to the Closing Date, that the following conditions have been satisfied, unless waived in writing by the Governing Entity (it being understood that, except for the conditions set forth in Section 7.12, which may be waived only with the consent of the PBGC, and for the condition set forth in Section 7.11(ii), which may not be waived, each of the following conditions may be deemed to be satisfied or may be waived only in the sole discretion of the Governing Entity, and that such conditions may fail of satisfaction as a result of a determination by Highmark that such conditions have not been met; neither the Governing Entity, Highmark or any of their Affiliates shall have any liability or obligation to any other party hereto as a result of any determination of the Governing Entity or Highmark that any such condition has failed to be satisfied):

7.1 Representations and Warranties: Covenants.

(a) The representations and warranties of the Transferring Parties contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date, as if made on such date, except to the extent that the failure of such representations and warranties (individually or in the aggregate) to be true and correct in all material respects would not materially interfere with the transfer and conveyance of the Transferred Assets to or as directed by the Governing Entity, and would not increase the Assumed Balance Sheet Liabilities beyond the level reflected on the AUHS/AUMP Balance Sheet by an amount in excess of \$1,500,000.

(b) The terms, covenants and agreements to be complied with or performed by the Transferring Parties on or before the Closing Date shall have been complied with and performed in all material respects, including without limitation the obligations of the Transferring Parties in Section 8.2.

7.2 Adverse Action or Proceeding. No action or proceeding by any Governmental Authority shall have been instituted seeking to restrain or prohibit the transactions herein contemplated and shall continue to be pending, and there shall not be in effect any order

restraining, enjoining or otherwise preventing consummation of the transfer of the Transferred Assets or the other transactions contemplated hereunder.

7.3 Pre-Closing Confirmations. The Governing Entity shall have obtained documentation or other evidence reasonably satisfactory to the Governing Entity that (i) the Transferring Parties and the Governing Entity have received or will receive all approvals, authorizations and clearances of Governmental Authorities and other Persons required of them or advisable in the judgment of the Governing Entity to consummate the transactions contemplated hereby, the failure to receive which would violate the provisions of applicable law or expose any Transferring Party or the Governing Entity to any material liability, including without limitation consents of the Governing Entity's governing bodies and consents of third parties required or deemed advisable by the Governing Entity in order for the Governing Entity to consummate the transactions contemplated hereby, including without limitation the consents of the holders of the long term indebtedness of The Western Pennsylvania Healthcare System, Inc. and its Affiliates; and (ii) all applicable waiting periods under the HSR Act have expired. Without limiting the generality of the foregoing, an order of the Bankruptcy Court shall have been obtained with respect to the transactions contemplated hereby and by the Affiliation Agreement, the terms of which and the procedures for entry of which are satisfactory to the Governing Entity and that, inter alia, does not by its terms allocate to the Allegheny Entities or the Governing Entity any responsibility for the payment of professional fees, and such order shall have become final and not be subject to a pending appeal.

7.4 Deliveries at Closing. The Transferring Parties shall have delivered to the Governing Entity, in form reasonably acceptable to the Governing Entity, all agreements, instruments, certificates or other documents required to be executed by any Transferring Party pursuant to this Agreement.

7.5 Affiliation Agreement. The transactions contemplated by the Affiliation Agreement shall have been consummated in all material respects in accordance with the terms and conditions of the Affiliation Agreement, a true, correct and complete copy of which as of the date hereof is attached hereto as Exhibit 7.5. It is acknowledged and agreed that, except for the conditions set forth in Section 7.7(a) of the Affiliation Agreement, which may be waived only with the consent of the PBGC, the conditions set forth in Article 7 of the Affiliation Agreement to the obligations of West Penn and the Governing Entity under the Affiliation Agreement may be deemed to be satisfied or may be waived in the sole discretion of the Governing Entity, and that such conditions may fail of reasonable satisfaction as a result of a determination by Highmark that such conditions have not been met. Neither the Governing Entity, Highmark nor any of their Affiliates shall have any liability or obligation to any other party hereto if the transactions contemplated by the Affiliation Agreement fail to close as a result of any determination of the Governing Entity or Highmark that any such condition has failed to be satisfied.

7.6 Release. AUH-West shall have delivered a release in favor of the Governing Entity, West Penn and the Allegheny Entities in form and substance satisfactory to the Governing Entity.

7.7 Absence of Accrued Deficits. The Governing Entity shall be reasonably satisfied that there are no obligations that are due and owing and that remain unpaid under the Assigned Contracts or the Transferred Grant Agreements other than (i) Assumed Liabilities, (ii) Cure Costs that are fully and accurately described on Schedule 7.7(c), (iii) to the extent permitted by the express terms hereof, obligations that are accruing in respect of the month in which the Closing Date occurs and that are not overdue and (vi) in the case of the Assigned AUHS Physician Agreements and the Assigned AUMP Physician Agreements, accrued amounts for incentive and bonus compensation for fiscal years 1998 and 1999 that are not in excess of the amounts reflected on Schedule 7.7(a) and Schedule 7.7(b), respectively. The order of the Bankruptcy Court described in Section 7.3 shall have fixed the level of Cure Costs in accordance with Schedule 7.7(c) or otherwise in a manner satisfactory to the Governing Entity.

7.8 Transferred Endowments. The Governing Entity shall be reasonably satisfied that, effective as of the Closing Date, the Transferring Parties, and the Trustee, for himself and on behalf of the AHERF Estate, shall have assigned, set over, transferred and conveyed to AGH or AUMC or as otherwise directed by the Governing Entity, gratuitously and without any consideration whatsoever, free and clear of liens, claims and Encumbrances, by an instrument satisfactory to the Governing Entity, all of the right, title and interest of the Transferring Parties and AHERF in and to the Transferred Endowments.

7.9 Physician Entity Management and License Agreement. AUHS and AUMP shall have entered into the Physician Entity Management and License Agreement in form and substance satisfactory to the Governing Entity.

7.10 Transition Services Agreement. The Transferring Parties shall have entered into a Transition Services Agreement in form and substance satisfactory to the Governing Entity.

7.11 Legal Matters. All legal matters affecting the transactions contemplated hereby shall be reasonably satisfactory to the Governing Entity. Without limiting the generality of the foregoing, the Governing Entity shall be reasonably satisfied that (i) the Attorney General of the Commonwealth of Pennsylvania shall have approved the terms of this Settlement Agreement, (ii) the approval of the Orphans' Court of the transfer of the Transferred Endowments, the confirmation of the legal title to the Confirmed Endowments and the other transactions contemplated hereby and by the Affiliation Agreement shall have been obtained, and (iii) none of the Governing Entity or any of the Allegheny Entities will have any legal or equitable responsibility (statutory, in equity or at common law) for any of the liabilities, debts or obligations of the Transferring Parties other than the Assumed Liabilities.

7.12 PBGC Agreement. The parties to the PBGC Agreement other than the Governing Entity shall have executed and delivered the PBGC Agreement in the form of Exhibit 5.15.

7.13 Covenant Regarding Suits. The Governing Entity and the Transferring Parties shall have mutually agreed upon the terms of the covenant contemplated by Section 6.13.

8. CLOSING: TERMINATION OF AGREEMENT

8.1 Closing. Consummation of the transactions contemplated by and described in this Agreement (the "Closing") shall take place at the offices of AGH at 10:00 a.m. on the first business day following reasonable satisfaction or waiver of the conditions set forth in Articles 6 and 7, or at such time or place as the parties may mutually agree. Unless otherwise agreed in writing by the parties at Closing, the Closing shall be effective for accounting purposes as of 12:01 A.M. on the day following the Closing Date.

8.2 Action of the Transferring Parties at Closing. At the Closing and unless otherwise waived in writing by the Governing Entity, the Transferring Parties shall deliver to or as directed by the Governing Entity:

(a) an instrument of approval executed by the Trustee as contemplated by Section 2.1(iv), and copies of such other documentation as is customary and appropriate to authorize and approve the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby;

(b) certificates of the duly authorized President, Vice President or other appropriate officer of each Transferring Party certifying that the representations and warranties of such Transferring Party contained in this Agreement are true and correct in all material respects on and as of the Closing Date, and that each and all of the terms, covenants and agreements to be complied with or performed by such Transferring Party on or before the Closing Date have been complied with and performed;

(c) the opinion dated the Closing Date of counsel to the Trustee with respect to the matters set forth on Schedule 8.2;

(d) physical possession of the Conveyed AUMP Real Property and the premises covered by the Assigned AHERF Real Property Leases, the Assigned AUHS Real Property Leases and the Assigned AUMP Real Property Leases; and

(e) possession of all tangible assets that are included in the Transferred Assets and are not located at the premises described in Section 8.2(d).

8.3 Action of the Governing Entity at Closing. At the Closing and unless otherwise waived in writing by the Transferring Parties, the Governing Entity shall deliver to the Transferring Parties:

(a) copies of resolutions duly adopted by the board of trustees or directors of the Governing Entity authorizing and approving the Governing Entity's execution and delivery of this Agreement and the transactions contemplated hereby, certified as true and in full force and effect as of the Closing Date by an appropriate officer of the Governing Entity;

(b) certificates of the duly authorized President or a Vice President or other appropriate officer of the Governing Entity certifying that the representations and warranties of the Governing Entity contained in this Agreement are true and correct in all material respects on and as of the Closing Date, and that each and all of the terms, covenants and agreements to be complied with or performed by the Governing Entity on or before the Closing Date have been complied with and performed; and

(c) the opinion dated the Closing Date of counsel to the Governing Entity with respect to the matters set forth on Schedule 8.3.

8.4 Termination Prior to Closing.

(a) Notwithstanding anything herein to the contrary, this Agreement may be terminated, and the transactions contemplated by this Agreement abandoned, upon notice by the terminating party to the other parties:

(i) at any time before the Closing, by mutual consent of the Governing Entity on the one hand, and the Transferring Parties, the Trustee and the Unsecured Creditors Committee on the other hand;

(ii) by the Governing Entity on the one hand, or the Transferring Parties, the Trustee or the Unsecured Creditors Committee on the other hand, if a court of competent jurisdiction or other Governmental Authority shall have issued a nonappealable final order, decree or ruling or taken any other action, in each case having the effect of permanently restraining, enjoining or otherwise prohibiting consummation of the transactions contemplated by this Agreement;

(iii) at any time before the Closing, by the Governing Entity on the one hand, or the Transferring Parties, the Trustee or the Unsecured Creditors Committee, on the other hand, in the event of material breach of this Agreement by the other (non-terminating) party or if the reasonable satisfaction of any condition to such party's obligations under this Agreement becomes impossible or impracticable with the use of all reasonable efforts and the failure of such condition to be satisfied is not caused by a breach by the terminating party (it being understood that no investigation or state of knowledge on the part of the Governing Entity or the Allegheny Entities, and no consent or approval that may be granted by the Governing Entity pursuant to Section 5.2 or otherwise, shall be deemed to cause a failure of the conditions expressed in Section 7.1); or

(iv) at any time after July 31, 1999, by the Governing Entity on the one hand or the Transferring Parties, the Trustee or the Unsecured Creditors Committee, on the other hand, if the transactions contemplated by this Agreement have not been consummated on or before such date.

(b) (1) If this Agreement is validly terminated pursuant to this Section 8.4, this Agreement will be null and void, and, except as provided in Section 8.4(b)(3), there will be no liability on the part of any party (or any of their respective officers, directors, trustees, employees, agents, consultants or other representatives).

(2) [Reserved.]

(3) If this Agreement is terminated pursuant to Section 8.4(a) and the basis for such termination is attributable to the breach by the Governing Entity of its representations, warranties, covenants or agreements hereunder, or if this Agreement is terminated by the Governing Entity because the closing under the Highmark Loan Agreement (as such term is defined in the Affiliation Agreement) does not occur, the Deposit Escrow Amount shall be forfeited to the Transferring Parties. Any such forfeiture shall constitute the sole remedy of the Transferring Parties in respect of any such breach.

8.5 Remedies. Except as provided in Section 8.4(b)(3), none of the parties hereto shall have any liability or obligation hereunder to the other parties hereto if this Agreement is terminated prior to the Closing for any reason whatsoever. The Governing Entity acknowledges and agrees that:

(i) the Transferring Parties do not have possession or control in all respects of the Transferred Assets or the operations of the Transferred Asset Businesses, or the books and records with respect thereto, and the Allegheny Entities control in some respects the Transferred Assets and the operations of the Transferred Asset Businesses and the books and records with respect thereto;

(ii) the representations and warranties of the Transferred Parties in this Settlement Agreement are based solely on the actual knowledge, without investigation, of the persons listed in Schedule 1.2 after review of such representations and warranties and the Schedules to this Settlement Agreement, which Schedules have been prepared by the Governing Entity and/or the Allegheny Entities based upon their knowledge and their due diligence review of the Transferred Assets and the Transferred Asset Businesses;

(iii) the representations and warranties made by the Transferring Parties under this Settlement Agreement are, except where qualified by knowledge of the Transferring Parties, made on an unqualified basis solely for the purposes of the condition to Closing described in Section 7.1(a);

(iv) the covenants of the Transferring Parties made in Section 5.1 and 5.2 are made for the purpose of the condition to Closing described in Section 7.1(b) and in no event shall any Transferring Party, the Trustee or the Unsecured Creditors Committee or any member thereof have any liability as the result of any action or failure to act by any Allegheny Entity;

(v) in no event shall the Trustee or the Unsecured Creditors Committee or any member thereof, or any of their respective consultants or professional advisors, or any

director, officer, employee, advisor, consultant or advisor of any of the Transferring Parties, have any personal liability as the result of the breach of any representation, warranty or covenant of the Transferring Parties under this Settlement Agreement;

(vi) the knowledge of management of the Transferring Parties and the Allegheny Entities shall not be imputed to the Trustee or the Estates; and

(vii) if the Governing Entity shall materially breach its obligations hereunder and this Settlement Agreement shall be terminated pursuant to Section 8.4(a)(iii), the Transferring Parties shall be entitled to receive the Deposit Escrow Amount as contemplated by Section 8.4(b)(3) as the sole remedy of the Transferring Parties in respect of such breach.

Each Transferring Party agrees that the costs and expenses of any Transferring Party arising out of or related to its obligations under this Agreement shall constitute actual, necessary costs and expenses of preserving the Estates, allowable as a cost of administration of the Estate under Section 503(b) of the Bankruptcy Code, and entitled to priority under Section 507(a)(1) of the Bankruptcy Code, and hereby consents to the entry by the Court of an order approving the provisions of this Settlement Agreement, including without limitation the provisions of this Section 8.5.

8.6 Action of the Allegheny Entities at Closing. At the Closing and unless otherwise waived in writing by the Transferring Parties, each of the Allegheny Entities and AUH-West shall deliver to the Transferring Parties:

(a) copies of resolutions duly adopted by the board of trustees or directors of the such entity authorizing and approving such entity's execution and delivery of this Agreement by such entity and the transactions contemplated hereby, certified as true and in full force and effect as of the Closing Date by an appropriate officer of such entity;

(b) certificates of the duly authorized President or a Vice President or other appropriate officer of such entity certifying that the representations and warranties of the Allegheny Entities contained in this Agreement are true and correct in all material respects on and as of the Closing Date, and that each and all of the terms, covenants and agreements to be complied with or performed by such entity on or before the Closing Date have been complied with and performed; and

(c) the opinion dated the Closing Date of counsel to such entity with respect to the matters set forth on Schedule 8.3.

9. [RESERVED.]

10. GENERAL

10.1 Non-Survival of Representations, Warranties and Agreements. None of the representations, warranties and agreements in this Agreement or in any other document or instrument delivered pursuant to this Agreement shall survive the Closing except for (i) the agreements in Sections 2.9, 2.11, 5.3, 5.5, 5.6, 5.7, 5.8, 5.9, 5.10, 5.11, 5.13, 5.14 and Article X, and (ii) those other agreements which by their express terms are to be performed after the Closing, including without limitation the Transition Services Agreement. It is understood that the stipulations and releases in the forms of Exhibit 2.1(a)(ii) and Exhibit 2.8(a) will survive the closing. Without limiting the generality of the foregoing, the Governing Entity acknowledges and agrees that, anything to the contrary herein notwithstanding, should the Closing occur, then the Transferred Assets shall from and after the Closing Date be deemed to have been assigned, transferred and conveyed absolutely "as is" and "where is" and without any representation or warranty whatsoever on the part of the Transferring Parties. To the extent that there is any shortfall in the Transferred Endowments, as of the Closing Date neither the Governing Entity nor any of the Transferring Parties nor any of their respective Affiliates shall have any responsibility in respect thereof hereunder, except to the extent of liabilities that expressly constitute Assumed Liabilities or Retained Liabilities (as applicable). Notwithstanding the foregoing, it is acknowledged that the provisions of the PBGC Agreement shall survive the Closing.

10.2 Tax and Government Reimbursement Program Effect. None of the parties (nor such parties' counsel or accountants) has made or is making in this Agreement any representation to any other party (or such party's counsel or accountants) concerning any of the Tax effects or consequences on the other party of the transactions provided for in this Agreement (provided that nothing in this Section 10.2 shall limit or restrict the representations and warranties of the Transferring Parties hereunder). Each party represents that it has obtained, or may obtain, independent Tax advice with respect thereto and upon which it, if so obtained, has solely relied or will solely rely.

10.3 Consents, Approvals and Discretion. Except as herein expressly provided to the contrary, whenever this Agreement requires any consent or approval to be given by either party or either party must or may exercise discretion, such consent or approval shall not be unreasonably withheld or delayed and such discretion shall be reasonably exercised.

10.4 Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to conflicts of laws rules.

10.5 Benefit; Assignment. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. No waiver of the conditions set forth in Sections 6.5 and 7.12 and no amendment of Section 5.15 shall be effective without the prior written consent of the PBGC, and the PBGC shall be entitled to enforce the provisions of Section 5.15. No party may assign this Agreement without the prior written consent of the

other parties. Except from and after the Closing as expressly provided in the guarantee described in Section 6.8, in no event shall West Penn be liable or responsible for any acts or omissions of the Governing Entity.

10.6 No Third Party Beneficiary. Except as provided in Section 10.5, the terms and provisions of this Agreement are intended solely for the benefit of the parties and their respective successors and permitted assigns, and are not intended to confer third-party beneficiary rights upon any other Person. Notwithstanding the foregoing, Highmark shall be a third party beneficiary of the provisions hereof which name Highmark.

10.7 Waiver of Breach, Right or Remedy. The waiver by any party of any breach or violation by another party of any provision this Agreement or of any right or remedy permitted the waiving party in this Agreement (i) shall not waive or be construed to waive any subsequent breach or violation of the same provision, (ii) shall not waive or be construed to waive a breach or violation of any other provision, and (iii) shall be in writing and may not be presumed or inferred from any party's conduct. Except as expressly provided otherwise in this Agreement no remedy conferred by this Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be in addition to every other remedy granted in this Agreement or now or hereafter existing at law or in equity, by statute or otherwise. The election of any one or more remedies by a party shall not constitute a waiver of the right to pursue other available remedies. In addition to any other rights and remedies any party may have at law or in equity for breach of this Agreement, each party shall be entitled to seek an injunction to enforce the provisions of this Agreement.

10.8 Notices. Any notice, demand or communication required, permitted or desired to be given hereunder shall be deemed effectively given if given in writing (i) on the date tendered by personal delivery, (ii) on the date received by facsimile or other electronic means (including telegraph and telex), (iii) the day after tendered for delivery by nationally recognized overnight courier, or (iv) three days after tendered for delivery by United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, in any event addressed as follows:

If to the Governing Entity:

The Healthcare Alliance for Western Pennsylvania, Inc.
c/o The Western Pennsylvania Healthcare System, Inc.
4800 Friendship Avenue
Pittsburgh, PA 15224
Attn: Jerry J. Fedele, Esq.
Facsimile: (412) 578-1296

with a copy to:

Kalkines, Arky, Zall & Bernstein LLP
1675 Broadway
New York, N.Y. 10019
Attn: Peter F. Olberg, Esq.
Facsimile: (212) 541-9250

If to the Transferring Parties or the Trustee:

William J. Scharffenberger
Chapter 11 Trustee of Allegheny Health,
Education and Research Foundation
D.L. Clark Building, 2nd Floor
503 Martindale Street
Pittsburgh, PA 15212
Facsimile: (412) 442-7550

with a copy to:

Alan B. Hyman, Esq.
Proskauer, Rose
1585 Broadway
New York, NY 10036-8299
Facsimile: (212) 969-2900

with a copy to:

David G. Heiman, Esq.
Jones, Day, Reavis & Pogue
North Point
901 Lakeside Avenue
Cleveland, OH 44114
Facsimile: (216) 586-7975

If to the Unsecured Creditors Committee:

David G. Heiman, Esq.
Jones, Day, Reavis & Pogue
North Point
901 Lakeside Avenue
Cleveland, OH 44114
Facsimile: (216) 586-7975

with a copy to:

Alan B. Hyman, Esq.
Proskauer, Rose
1585 Broadway
New York, NY 10036-8299
Facsimile: (212) 969-2900

or to such other address or number, and to the attention of such other Person, as a given party may designate at any time in writing in conformity with this Section.

10.9 Severability. If any provision of this Agreement, the Affiliation Agreement or the PBGC Agreement is held or determined to be illegal, invalid or unenforceable under any law, and if the rights or obligations of any party under this Agreement will not, in the sole discretion of each of the Governing Entity and the Transferring Parties, be materially and adversely affected thereby: (a) such provision will be fully severable; (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof; (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom; and (d) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

10.10 Entire Agreement; Amendment. This Agreement supersedes the Letter of Intent (except for the provisions of Section 4 thereof as to confidentiality, which shall continue to bind the parties thereto) and all previous contracts, agreements and understandings and constitutes the entire agreement of whatsoever kind or nature existing between or among the parties representing the within subject matter and no party shall be entitled to benefits other than those specified herein and in paragraph 4 of the Letter of Intent. The parties intend that this Agreement, the PBGC Agreement, the Transition Services Agreement, and the stipulations and releases contemplated to be delivered at Closing by Article II be treated as a single integrated transaction and are in effect a single transaction, and the PBGC Agreement, the Transition Services Agreement and such releases are incorporated by reference herein. This Agreement may be executed in two or more counterparts, each and all of which shall be deemed an original and all of which together shall constitute but one and the same instrument. This Agreement may not be amended except in a written instrument executed by the parties. This Agreement shall not be effective until it has been executed and delivered by all parties hereto. The transmission of a facsimile of a signature of a party on the signature page of this Agreement shall have the

same effect as delivery of a manually signed original of a counterpart hereof.

10.11 Waiver of Jury Trial. The parties hereto hereby irrevocably waive all right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in multiple originals by their duly authorized officers as of the date set forth above.

ALLEGHENY GENERAL HOSPITAL

ALLEGHENY UNIVERSITY MEDICAL CENTER

By: [Signature]
Title: [Signature]

By: _____
Title: _____

ALLEGHENY UNIVERSITY HOSPITALS - WEST

ALLEGHENY UNIVERSITY MEDICAL PRACTICES

By: _____
Title: _____

By: _____
Title: _____

ALLEGHENY UNIVERSITY HOSPITALS - EAST

ALLEGHENY HOSPITAL, CENTENNIAL

By: _____
Title: _____

By: _____
Title: _____

THE BANKRUPTCY ESTATE OF ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

ALLEGHENY UNIVERSITY OF THE HEALTH SCIENCES

By: _____
Title: _____

By: _____
Title: _____

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09/29/99

same effect as delivery of a manually signed original of a counterpart document.

10.11 Waiver of Jury Trial. The parties hereby irrevocably waive all right to trial by jury in any action, proceeding or counterclaim arising out of or under this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in multiple originals by their duly authorized officers as of the date set forth above.

ALLEGHENY GENERAL HOSPITAL

ALLEGHENY UNIVERSITY MEDICAL CENTER

By: _____
Title: _____

By: _____
Title: _____

ALLEGHENY UNIVERSITY HOSPITALS - WEST

ALLEGHENY UNIVERSITY MEDICAL PRACTICES

By: *Frank Cahdiet*
Title: *Chairman*

By: _____
Title: _____

ALLEGHENY UNIVERSITY HOSPITALS - EAST

ALLEGHENY HOSPITAL, OREGON

By: _____
Title: _____

By: _____
Title: _____

THE BANKRUPTCY ESTATE OF ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

ALLEGHENY UNIVERSITY OF THE HEALTH SCIENCES

By: _____
Title: _____

By: _____
Title: _____

www.allegheny.edu

same effect as delivery of a manually signed original of a counterpart hereof.

10.11 Waiver of Jury Trial. The parties hereto hereby irrevocably waive all right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in multiple originals by their duly authorized officers as of the date set forth above.

ALLEGHENY GENERAL HOSPITAL

ALLEGHENY UNIVERSITY MEDICAL CENTER

By: _____
Title: _____

By: _____
Title: _____

ALLEGHENY UNIVERSITY HOSPITALS - WEST

ALLEGHENY UNIVERSITY MEDICAL PRACTICES

By: _____
Title: _____

By: Charles P. Mauson
Title: Liquidating Officer

ALLEGHENY UNIVERSITY HOSPITALS - EAST

ALLEGHENY HOSPITAL, CENTENNIAL

By: Charles P. Mauson
Title: Liquidating Officer

By: Charles P. Mauson
Title: Liquidating Officer

THE BANKRUPTCY ESTATE OF ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

ALLEGHENY UNIVERSITY OF THE HEALTH SCIENCES

By: _____
Title: _____

By: Charles P. Mauson
Title: Liquidating Officer

same effect as delivery of a manually signed original of a counterpart hereof.

10.11 Waiver of Jury Trial. The parties hereto hereby irrevocably waive all right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in multiple originals by their duly authorized officers as of the date set forth above.

ALLEGHENY GENERAL HOSPITAL

ALLEGHENY UNIVERSITY MEDICAL CENTER

By: _____
Title: _____

By: _____
Title: _____

ALLEGHENY UNIVERSITY HOSPITALS - WEST

ALLEGHENY UNIVERSITY MEDICAL PRACTICES

By: _____
Title: _____

By: _____
Title: _____

ALLEGHENY UNIVERSITY HOSPITALS - EAST

ALLEGHENY HOSPITAL, CENTENNIAL

By: _____
Title: _____

By: _____
Title: _____

THE BANKRUPTCY ESTATE OF ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

ALLEGHENY UNIVERSITY OF THE HEALTH SCIENCES

By: William J. [Signature]
Title: _____

By: _____
Title: _____

same effect as delivery of a manually signed original of a counterpart hereof.

10.11 Waiver of Jury Trial. The parties hereto hereby irrevocably waive all right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in multiple originals by their duly authorized officers as of the date set forth above.

ALLEGHENY GENERAL HOSPITAL

ALLEGHENY UNIVERSITY MEDICAL CENTER

By: _____
Title: _____

By: Henry F. Kueck
Title: Pres & CEO

ALLEGHENY UNIVERSITY HOSPITALS - WEST

ALLEGHENY UNIVERSITY MEDICAL PRACTICES

By: _____
Title: _____

By: _____
Title: _____

ALLEGHENY UNIVERSITY HOSPITALS - EAST

ALLEGHENY HOSPITAL, CENTENNIAL

By: _____
Title: _____

By: _____
Title: _____

THE BANKRUPTCY ESTATE OF ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

ALLEGHENY UNIVERSITY OF THE HEALTH SCIENCES

By: _____
Title: _____

By: _____
Title: _____

THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS

By: David Harrison
Title: Member of Official Committee

ALLEGHENY SINGER RESEARCH INSTITUTE

By: _____
Title: _____

THE HEALTHCARE ALLIANCE FOR
WESTERN PENNSYLVANIA, INC.

By: _____
Title: _____

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WALKERS, ARMY, XALL, ETC

NO. 6283 P. 5/010

**THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS**

By: _____
Title: _____

ALLEGHENY SINGER RESEARCH INSTITUTE

By: *[Signature]*
Title: CEO

**THE HEALTHCARE ALLIANCE FOR
WESTERN PENNSYLVANIA, INC.**

By: _____
Title: _____

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THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS

By: _____
Title: _____

ALLEGHENY SINGER RESEARCH INSTITUTE

By: _____
Title: _____

THE HEALTHCARE ALLIANCE FOR
WESTERN PENNSYLVANIA, INC.

By: Charles L. Brown
Title: _____

Ex 6

Draft - November 15, 1999

MEMBER WITHDRAWAL AGREEMENT

Member Withdrawal Agreement (this "Agreement"), dated as of November __, 1999, by and between The Healthcare Alliance For Western Pennsylvania, Inc. ("HAWP") and West Penn Allegheny Health System, Inc. ("WPAHS"), each of which is a Pennsylvania nonprofit corporation.

RECITALS:

WHEREAS, HAWP is the sole member of Allegheny General Hospital ("AGH"), Allegheny University Medical Centers ("AUMC"), Allegheny Singer Research Institute ("ASRI"), Allegheny Medical Practice Network ("AMPN"), Allegheny Specialty Practice Network ("ASPN"), and through its membership in AUMC exercises all member authority with respect to AUMC-Canonsburg ("Canonsburg" and, together with AGH, AUMC, ASRI, AMPN, and ASPN, the "Constituent Corporations"); and

WHEREAS, HAWP was formed for the express purpose of supporting a health care system comprised of charitable nonprofit health care organizations serving the Western Pennsylvania community; and

WHEREAS, HAWP has determined that the financial viability of the health care system comprised of the Constituent Corporations (the "System") requires a restructuring of the existing capital and debt structures of each of the Constituent Corporations; and

WHEREAS, as the supporting organization of the System, HAWP desires to facilitate that restructuring; and

WHEREAS, WPAHS has presented to HAWP a plan for restructuring the capital and debt structure of the Constituent Corporations (the "Restructuring Plan"), which plan requires affiliation of the Constituent Corporations comprising the System with the operating entities comprising another regional nonprofit health care system serving the Western Pennsylvania region, referred to in the community as The Western Pennsylvania Healthcare System (the "WestPenn System"), the supporting organization of which is The Western Pennsylvania Healthcare System, Inc. ("WestPenn"); and

WHEREAS, after extensive analysis of available options, HAWP has determined that the Restructuring Plan constitutes the most effective manner of achieving the desired restructuring; and

WHEREAS, WPAHS is, simultaneously herewith, entering into an agreement with WestPenn (the "WestPenn Agreement"), pursuant to which WestPenn will surrender its governance authority with respect to the operating corporations comprising the WestPenn System, and WPAHS will become the sole member of each of those entities, subject to the satisfaction of various conditions prerequisite to such transaction, including without limitation the formation by WPAHS of a regional healthcare system that includes the corporations comprising the System; and

WHEREAS, to permit WPAHS to complete formation of a system comprised of both the System and the WestPenn System, on and subject to the terms of this Agreement, HAWP is willing to withdraw as member of the Constituent Corporations (and, in the case of Canonsburg, to surrender its governance authority with respect thereto (the "Canonsburg Governance Authority")) and to amend the bylaws of each of the Constituent Corporations so that WPAHS may become the sole Member of each of the Constituent Corporations and/or exercise the Canonsburg Governance Authority; and

WHEREAS, on and subject to the terms of this agreement, WPAHS is willing to become the sole member of each of the Constituent Hospitals and, in the case of Canonsburg, to exercise the Canonsburg Governance Authority;

NOW, THEREFORE, in consideration of the foregoing premises, and the mutual covenants contained herein, and wishing to be legally bound hereby, the parties hereto hereby agree as follows:

Section 1. Affiliation Transaction. Effective as of the Closing (defined below), HAWP will adopt amended and restated bylaws for each of the Constituent Corporations in substantially the form of Exhibit A hereto, with such changes thereto as may be acceptable to WPAHS in its sole discretion. Such amendment to the bylaws is referred to herein as the "affiliation transaction".

Section 2. The Closing. The closing of the affiliation transaction (the "Closing") shall, subject to the satisfaction of the conditions thereto set forth below, take place on January 31, 2000 or such other date as may be mutually agreed upon by the parties.

Section 3. Conditions to HAWP's Obligation to Close. HAWP's obligation to close the affiliation transaction is subject to the fulfillment of the following conditions, or the waiver thereof by HAWP in its sole discretion:

- a. The transaction contemplated by the WestPenn Agreement shall have closed, or shall close simultaneously with the affiliation transaction.
- b. Simultaneously with the closing of the affiliation transaction, the Restructuring Plan shall be implemented in a manner satisfactory to HAWP.

c. All governmental approvals required in connection with the Closing shall have been obtained.

Section 4. Conditions to WPAHS's Obligation to Close. WPAHS's obligation to close the affiliation transaction is subject to the fulfillment of the following conditions, or the waiver thereof by WPAHS in its sole discretion:

a. The transaction contemplated by the WestPenn Agreement shall have closed, or shall close simultaneously with the affiliation transaction.

b. Simultaneously with the closing of the affiliation transaction, the Restructuring Plan shall be implemented in a manner satisfactory to WPAHS.

c. The Constituent Corporations shall have entered into and delivered to WPAHS such agreements as WPAHS shall, in its sole discretion, require.

d. All governmental approvals required in connection with the Closing shall have been obtained.

Section 5. Termination of Agreement. Either party hereto may terminate this Agreement upon 30 days written notice to the other party.

Section 6. Cooperation. Each party hereto agrees to use all reasonable efforts to facilitate satisfaction of the conditions to the Closing, and to cooperate with the other party in such other party's efforts to fulfill its obligations hereunder.

Section 7. Miscellaneous. This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania. This Agreement may be executed in two or more counterparts, each of which shall be an original, and all of which together shall constitute one and the same instrument. This Agreement may be modified only by a writing signed by both parties hereto. Neither party hereto may assign its rights, or delegate its obligations, hereunder without the prior written consent of the other party. The terms and provisions of this Agreement are intended solely for the benefit of the parties hereto and their respective successors and permitted assigns, and are not intended to confer third-party beneficiary rights upon any third party.

IN WITNESS WHEREOF, each party has caused this Agreement to be executed by its duly authorized officers as of the date set forth above.

THE HEALTHCARE ALLIANCE FOR
WESTERN PENNSYLVANIA, INC.

By: _____
Title: _____

WEST PENN ALLEGHENY HEALTH SYSTEM,
INC.

By: _____
Title: _____

EXHIBIT A
AMENDED AND RESTATED
BYLAWS
OF
[NAME OF CONSTITUENT HOSPITAL]

ARTICLE I

NAME AND LOCATION

- Section 1. Name. The name of the Corporation is _____.
- Section 2. Principal Office. The principal office of the Corporation shall be located at _____, or at such other address as the Board of Directors shall determine.

ARTICLE II

PURPOSE; PARTICIPATION IN SYSTEM

Section 1. Purpose. The purposes of the Corporation are as set forth in the Articles of Incorporation and include the following:

- (1) To provide, maintain, operate, and support the provision, maintenance and operation of, on a not-for-profit basis, in-patient and out-patient hospital facilities and health care services throughout Western Pennsylvania, to all persons who are acutely ill or otherwise 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, all in a manner that is ~~described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code");~~ and
- (2) To carry on educational and scientific activities related to the care of the sick and injured.
- (3) To carry on scientific research related to the care of the sick and injured.
- (4) To carry on activities designed and carried on to promote the general health of the Western Pennsylvania community.

(5) To maintain itself as a not-for-profit corporation organized exclusively for charitable, scientific and educational purposes, with activities conducted in such a manner that no part of its net earnings shall inure to the benefit of any member, Director, officer or other individual. Upon termination, dissolution or winding up, the assets remaining after payment of all liabilities shall be distributed to another organization described in Section 501(c)(3) of the Code as selected by the Directors in their sole discretion, subject, however, to prior notice to the Attorney General of the Commonwealth of Pennsylvania (the "Attorney General"), approval by the Orphans' Court of the Commonwealth of Pennsylvania (the "Orphans' Court"), and all applicable law.

(6) To exercise such powers in furtherance of the foregoing purposes as are now or may be granted hereafter by the Nonprofit Corporation Law of the Commonwealth of Pennsylvania, as amended from time to time, or any successor legislation (the "PNCL").

Section 2. Participation in System. The Corporation is a constituent entity of the health care system serving Western Pennsylvania known as West Penn Allegheny Health System (the "System") which, as of the date of the adoption of these bylaws, is comprised of affiliated hospitals and certain other affiliated organizations. These Bylaws, among other things, establish the relative authority and responsibility of the entities and individuals participating in the governance and management of the Corporation in its capacity as part of the System.

ARTICLE III

MEMBER

Section 1. Member. Subject to Section 9 of this Article III, the sole voting member of the Corporation (the "Member") shall be West Penn Allegheny Health System, Inc. (the "Member"), acting through its Board of Directors (the "Member Board"), or through its Executive Committee (the "Member Executive Committee") or designated officers of the Member (the "Designated Representatives") to the extent that the Member has, pursuant to its Bylaws or by resolution duly adopted by the Member Board, delegated its authority herein to the Member Executive Committee or to a Designated Representative; provided, however, that neither the Member Executive Committee nor any Designated Representative shall have the authority to act on behalf of the Member with respect to any of the actions identified in Section 2.B of this Article III.

Section 2. Powers and Rights of Member.

A. The Member shall have such powers and rights as are set forth in the PNCL and the Articles of Incorporation of the Corporation. Without limiting and in addition to such

powers and rights, the Member shall have the exclusive authority to exercise the following powers:

(1) Adopt and/or approve and interpret the statement of mission and philosophy of the Corporation, and require the Corporation to operate in conformance with its statement of mission and philosophy;

(2) Adopt and/or approve amendments or restatements of the bylaws and Articles of Incorporation of the Corporation, subject, however, to Section 9 of this Article III, and with respect to amendments of the following provisions in the bylaws and Articles of Incorporation of the Corporation, subject to prior notice to the Attorney General and the prior approval of the Orphans' Court: (i) provisions setting forth the purposes of the Corporation; (ii) provisions setting forth the powers reserved exclusively to the Member; (iii) provisions describing the manner in which the assets of the Corporation are to be distributed upon termination, dissolution or winding up of the Corporation; and (iv) provisions requiring notice to the Attorney General or approval of the Orphans' Court prior to the taking of certain action by the Corporation.

(3) Fix the number of, and elect, appoint, fill vacancies in and remove, with or without cause, the Directors; and elect and remove, with or without cause, the Chair and Vice Chair of the Board of Directors of the Corporation, and the Secretary and Treasurer of the Corporation; provided that no Director or officer shall be removed by the Member without 10 days prior notice of such removal from the Member to the Board of Directors;

(4) Designate the administrative structure of the Corporation and, after consultation with the Board of Directors of the Corporation, elect and remove, with or without cause, the President and Chief Executive Officer and all vice presidents and other officers of the Corporation, provided that no officer shall be removed by the Member without 10 days prior notice of such removal from the Member to the Board of Directors;

~~-----~~(5) ~~Cause or approve any merger, consolidation, division, conversion, or dissolution of the Corporation, or the filing of a petition in bankruptcy or execution of a deed of assignment for the benefit of creditors;~~

(6) Approve or cause the Corporation to engage in any acquisition or any sale, lease, exchange, mortgage, pledge or other alienation of any personal property of the Corporation having a value in excess of an amount to be fixed from time to time by the Member or any real property of the Corporation;

(7) Adopt and/or approve any capital or operating budgets of the Corporation, and approve or direct any unbudgeted expenditure to be

undertaken individually or collectively by the Corporation and any affiliated corporations controlled by the Corporation (other than unbudgeted expenditures which are required in order for the Corporation to be in compliance with applicable laws, rules and regulations, and state licensing and accreditation requirements), where the cumulative amount of such unbudgeted expenditures is in excess of an amount to be fixed from time to time by the Member;

(8) Adopt and/or approve any operating plan or financial plan with respect to the Corporation, and require the Corporation to comply with such operating or financial plan;

(9) Approve and/or cause the Corporation to undertake or engage itself in respect of any bond issuance or any other indebtedness for borrowed money of the Corporation, or any lending of funds by the Corporation to an unrelated person, corporation or other legal entity, including without limitation any capital leases (other than indebtedness to provide funds for expenditures necessary in order for the Corporation to be in compliance with applicable laws, rules and regulations, and state licensing and accreditation requirements, to the extent such funds are not otherwise reasonably available), representing obligations of the Corporation in excess of an amount per annum in the aggregate established from time to time by the Member;

(10) Establish and/or approve the criteria for, and conduct the evaluation of, the performance of the President and Chief Executive Officer and all vice presidents and officers of similar rank of the Corporation;

(11) Approve and/or cause the adoption by the Corporation of proposed settlements of litigation when such settlements exceed applicable insurance coverage or the amounts reserved in respect thereof of any applicable self-insurance fund;

(12) Approve and/or cause the adoption by the Corporation of any contracts between the Corporation and any managed care organization (including without limitation any health maintenance organization or independent practice association) or insurance company;

(13) Approve and/or cause any corporate reorganization of the Corporation or the establishment or dissolution of any subsidiary organizations, including corporations, partnerships or other entities, of the Corporation;

(14) Adopt and/or approve the strategic plan of the Corporation; and

(15) Approve or direct the taking of any other action outside of ordinary course of business and such matters as are required to be submitted to corporate members of a Pennsylvania nonprofit corporation.

Except as otherwise required by the PNCL, and subject to Section 9 of this Article III, the action of the Member with respect to each of the foregoing actions shall be sufficient to approve such actions, no action by the Board of Directors of the Corporation shall be required with respect to any such actions, and, to the full extent permitted by law, no action of the Board of Directors with respect to any such actions shall be effective for any purpose without the approval of the Member.

B. Each of the following actions may be approved by the Member only through action of the Member Board, and not through action of the Member Executive Committee or any Designated Representative:

(1) The adoption or approval of a statement of mission and philosophy of the Corporation;

(2) The adoption or approval of any amendments of the Bylaws or Articles of Incorporation of the Corporation;

(3) The approval of any merger, consolidation, division, conversion, or dissolution of the Corporation, or the filing of a petition in bankruptcy or execution of a deed of assignment for the benefit of creditors, or the sale or other disposition of all or substantially all of the assets of the Corporation;

(4) The election, appointment and removal of the Directors, the Chair and Vice Chair of the Board of Directors of the Corporation, and the Secretary and Treasurer of the Corporation; and

(5) The approval of any bond issuance or incurrence of any other indebtedness for borrowed money of the Corporation, or any lending of funds by the Corporation to an unrelated person, corporation or other legal entity, including without limitation any capital leases.

Section 3. Meetings of Member. Meetings of the Member may be held at such place within the Commonwealth of Pennsylvania as the Member may from time to time determine, or as may be designated in the notice of the meeting.

Section 4. Annual Meeting of the Member.

A. Unless otherwise fixed by the Member, the annual meeting of the Corporation shall be held in June of each year. At each annual meeting, (i) the Board of Directors shall present to the Member an annual report regarding the financial performance of the

Corporation, and (ii) the Member shall appoint the Board of Directors of the Corporation in accordance with Article IV and all officers that pursuant to the Bylaws are then to be appointed by the Member. If the annual meeting shall not be called and held within one (1) month of the date specified in this Article III, Section 4 or fixed by the Member in accordance with this Article III, Section 4, as applicable, any members of the Board of Directors and any officers theretofore appointed by the Member shall continue to serve unless removed by the Member (or unless the applicable member of the Board of Directors or officer resigns), and a special meeting may be held in place thereof with the same force and effect as the annual meeting, and in such case all references in these Bylaws, except in this Article III, Section 4, to the annual meeting of the Corporation shall be deemed to refer to such special meeting. Any such special meeting shall be called and notice given as provided in Article III, Sections 5 and 7, as applicable.

B. Immediately after each annual appointment of the Board of Directors by the Member at the annual meeting or a special meeting, the Board of Directors of the Corporation shall meet for the transaction of business to be conducted by the Board of Directors at the place where the annual or special meeting of the Member was held. Notice of such meeting need not be given. If such meeting is to be held at any other time or place, notice thereof shall be given as provided in Article V, Section 1 for special meetings of the Board of Directors.

Section 5. Special Meetings of the Member. Special meetings of the Member shall be held whenever called by the Board of Directors of the Corporation, or by written demand of the Member.

Section 6. Action Without a Meeting. 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 actions so taken shall be signed by the Member, and filed with the Secretary of the Corporation.

Section 7. Notice of Meetings; Participation by Conference Telephone.

A. Unless otherwise provided in these Bylaws, whenever written notice is required to be given to the Member under the provisions of the Articles of Incorporation, these Bylaws, or the PNCL, it may be given by sending a copy thereof first class mail, postage prepaid, by personal delivery, or in the case of notices other than notices of meetings, by telecopy with confirmed receipt to the address of the Member appearing on the books of the Corporation. If the notice is sent by mail, it shall be deemed to have been given to the Member entitled thereto when deposited in the United States mail, postage prepaid. A notice of meeting shall specify the place, day and hour of the meeting and any other information required by law or these Bylaws, and, unless the meeting is an annual meeting, shall indicate that the notice is being issued by or at the direction of the person(s) calling the meeting. Notice of each meeting of the Member shall be given not less than five days before the date of the meeting, except in the case where fundamental changes to the Corporation under Chapter 59 of the

PNCL will be considered, in which case such notice shall be given not less than ten days before the date of the meeting. Every such notice shall state the date, time and place of the meeting, and notices of special meetings of the Member shall also set forth the general nature of the business to be conducted at such meeting.

B. When a meeting is adjourned, it shall not be necessary to give any notice of the adjourned meeting and of the business to be transacted at an adjourned meeting in accordance with the provisions of this Article III, Section 7 if the day, time and place to which the meeting is adjourned is announced at the meeting at which the adjournment is taken.

C. Whenever notice of a meeting is required, such notice need not be given to the Member if a written waiver of notice executed by the Member is filed with the records of the Corporation. Attendance by the Member at any meeting of the Member shall constitute a waiver by the Member of notice of such meeting, except where the Member attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

D. One or more persons may participate in a meeting of the Member by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

Section 8. Resolutions. Whenever the language of a proposed resolution is included in a written notice of a meeting of the Member, the meeting considering the resolution may without further notice adopt it with such clarifying or other amendments as do not enlarge its original purpose.

Section 9. Additional Members. Notwithstanding anything herein to the contrary, upon the occurrence of a Triggering Event (as defined below), then effective immediately and automatically upon the occurrence of such Triggering Event and without further action by the Member, the voting members of the Corporation shall include, in addition to the Member identified in Section 1 of this Article III hereof, all of the then-current members of the Board of Directors of the Corporation, and any reference in these bylaws to "the Member" shall be deemed to be a reference to "the Members" as identified in this Article III, Section 9, each of whom shall have one vote, and all of whom together shall have the authority that, but for operation of this Article III, Section 9, would be vested in the Member. From and after the occurrence of a Triggering Event, (i) a majority of the Members shall constitute a quorum at any meeting of the Members and (ii) the affirmative vote of two-thirds (or greater) of the whole number of Members shall be required to approve any matter to be voted on by the Members. For purposes of this Section, "Triggering Event" shall mean any of the following occurrences:

(1) a Final Determination (as defined below) shall have been entered denying the Member's application for recognition as an Exempt Organization (as defined below) or revoking the Member's status as an Exempt Organization;

(2) the Member shall have taken all corporate action necessary to approve (x) the dissolution of the Member or (y) the filing by the Member of a voluntary petition in bankruptcy;

(3) the Member shall have admitted in writing its inability to pay its debts as they come due; or

(4) an involuntary petition for the dissolution and winding up of the Member shall have been filed, which such petition is not dismissed within 60 days of the filing thereof.

"Final Determination" shall mean a decision, judgment, decree or other order by the Internal Revenue Service or a court of competent jurisdiction which is final and unappealable, or which has become unappealable because the time for instituting an appeal has expired.

"Exempt Organization" shall mean an organization exempt from federal income taxation pursuant to Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code. Notwithstanding anything herein to the contrary, amendment of this Section 9 shall require approval of both the Member and at least two-thirds of the entire Board of Directors of the Corporation.

Section 10. Operating Reports. The Board of Directors of the Corporation shall submit operating reports to the Member in such form and on such schedule as shall be established by the Member. Such operating reports shall reflect the results of operations of the Corporation and of any affiliates of the Corporation that are controlled by the Corporation.

ARTICLE IV

THE BOARD OF DIRECTORS

Section 1. Powers and Responsibility. Subject to Article III hereof and to the other rights and powers of the Member specified herein or in the Articles of Incorporation or otherwise provided hereby or in the Articles of Incorporation or by law, the Board of Directors shall have charge, control, and management of the administrative affairs, property and funds of the Corporation and shall have the power and authority to do and perform all acts and functions not inconsistent with these Bylaws, the Articles of Incorporation, and applicable law, in each case as amended from time to time. Such responsibility shall include without limitation management of the Medical Staff as contemplated by Article VIII, Section 1 hereof; adoption, amendment, repeal and restatement of the Medical Staff Bylaws, as proposed by the Medical Staff pursuant to Article VIII, Section 1 hereof; implementation of any operational or financial plan adopted by the Member; maintenance of quality patient care;

and institutional management and planning. Without limiting the generality of the foregoing, the Board of Directors shall have power and authority to, and shall be responsible 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. The Board of Directors shall also prepare, for the Member's review and approval, on such timetable as the Member shall establish, proposed annual budgets for the Corporation, which budgets shall be consistent with any operating plan or financial plan adopted or approved by the Member and then in effect.

Section 2. Composition of the Board; Appointment Qualifications. The Board of Directors shall be composed of not fewer than five nor more than twenty voting members, exclusive of non-voting *ex officio* Directors. The exact number of voting Directors shall be as fixed from time to time by the Member, except that as of the date of adoption of these bylaws, the Board of Directors of the Corporation shall be comprised of the members identified on Exhibit A hereto, each having the term identified for such individual by the Member (and any individuals serving as Directors immediately before the effectiveness of these bylaws who are not identified on Exhibit A shall be deemed removed immediately upon such effectiveness). Directors shall generally be appointed at the annual meeting of the Member, but may be appointed at any regular or special meeting of the Member; provided that, at least thirty percent of the Board shall be composed of physicians on the Medical Staff, and provided, further, that except for the *ex officio* Directors specified in Section 4 of this Article IV, the Board of Directors shall not include any full time employees of the Member, of the Corporation or of any of the other "Constituent Corporations" as defined in the Bylaws of the Member. Each Director of the Corporation shall be a natural person of at least eighteen years of age, of good moral character and who enjoys a good reputation in the community, and who, by his or her experience, community interest, or prior action, demonstrates a willingness to devote time and talent to the affairs of the Corporation and to exercise his or her judgment with undivided loyalty to the Corporation. Each Director shall further satisfy the requirements set forth in Section 9 of this Article IV.

Section 3. Term of Office. Subject to Section 5 of this Article IV, Directors, other than *ex officio* Directors, shall serve for one, two or three year terms, as specified by the Member. In the event that the Member elects to classify the Board of Directors for purposes of staggering their respective terms of office, then the number of Directors assigned to each class shall be as nearly equal as possible to those assigned to each other class. Each Director shall retain his or her position as Director until his or her successor shall be duly appointed and qualified or until his or her earlier death, resignation or removal, except that an *ex officio* Director shall retain his or her position as Director only during his or her tenure in the position from which his or her respective *ex officio* status is derived, or until his or her earlier death, resignation, or removal. Directors may be re-elected for unlimited successor terms.

Section 4. Ex Officio Directors.

A. The following persons shall serve as *ex officio* Directors of the Corporation with vote:

- (1) President and Chief Executive Officer of the Member;
- (2) President and Chief Executive Officer of the Corporation; and
- (3) President of the Medical Staff of the Corporation.

In the event that any individual holds multiple *ex officio* positions s/he shall have one vote.

B. The following person(s) shall serve as *ex officio* director of the Corporation without vote:

The president of each Auxiliary of the Corporation.

Section 5. Removal, Resignation, Vacancies.

A. The Member may, in its discretion, remove any Director at any time, with or without cause, upon 10 days prior notice to the Board of Directors. Without limiting the generality of the foregoing, upon such notice the Member may, in its discretion, remove and replace all or a portion of the Board of Directors if the Member determines that the Corporation has failed to comply with any operating or financial plan adopted or approved by the Member. Unless such removal notice is revoked by the Member during the 10 day notice period, any such removal shall be effective immediately upon expiration of the notice period.

B. Any Director may resign from office with or without cause, by delivering a written statement of resignation to the Secretary of the Corporation. Any such resignation shall take effect immediately upon its receipt by the Secretary of the Corporation, unless a later effective time or date for the resignation is specified in the notice of resignation.

C. Any person appointed to fill a vacancy on the Board of Directors shall be appointed for the unexpired term of the Director whose death, resignation, or removal gave rise to the applicable vacancy.

Section 6. Orientation of Directors. Newly elected or appointed Directors shall be oriented to the functions and procedures of the Board of Directors. Such orientation shall be carried out under the supervision of the President and Chief Executive Officer.

Section 7. No Compensation. No Director shall receive any compensation for acting as a Director. Directors who are officers or employees of the Corporation may receive compensation for those duties.

Section 8. Review of Bylaws. The Board of Directors shall review these Bylaws of the Corporation annually, and based on such review, may propose amendments to these Bylaws to the Member of the Corporation.

Section 9. Conflict of Interest. Directors shall exercise good faith in all transactions touching upon their duties at the Corporation and its property. No director shall use his or her position, or knowledge gained therefrom, in any way that might give rise to a conflict between the interest of the Corporation and that of the individual Director. The Board of Directors shall adopt a conflict of interest policy, and each Director and officer of the Corporation shall agree in writing to be bound thereby as a prerequisite to his or her qualification as a Director or officer, as the case may be.

ARTICLE V

MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Regular and Annual Meetings of the Board of Directors. The Board of Directors shall hold regular meetings at such time and place as determined by the Board or the Chair; provided that the Board shall meet not less than four times per year. The Annual Meeting shall be held as provided in Article III, Section 4 of these Bylaws. Notice of any meeting shall be mailed, personally delivered or faxed to each Director entitled to vote at least 5 days prior to the meeting to the Director's address (or fax number) on the books of the Corporation. Voting by proxy shall not be permitted at any meeting.

Section 2. Special Meetings. Special meetings may be held at any time upon call of the Member or the Chair or upon receipt by the President and Chief Executive Officer of the written request of at least three Directors.

Section 3. Public Meeting. The general public shall be invited to attend at least one meeting of the Board of Directors on an annual basis. Such meeting shall be well-publicized in advance of the meeting date and shall be held at a time convenient for attendance by the general public.

Section 4. Quorum. A majority of the entire Board of Directors (without counting non-voting *ex officio* Directors) shall constitute a quorum at any regular meeting; provided that a quorum shall not be present at any meeting unless a majority of those Directors present are not members of the medical staff of the Corporation. Once a quorum is established, subsequent withdrawal of individuals to less than a quorum shall not affect the validity of any subsequent action taken at the meeting. Except as otherwise required by the PNCL, approval of any matter before the Board of Directors by a majority of the Directors entitled to vote and present at a meeting shall constitute approval of the applicable matter by the Board.

Section 5. Action Without a Meeting. Any action which may be taken at a meeting of the Board or any committee thereof may be taken without a meeting if consent in writing

setting forth such action is signed by all of the Directors entitled to vote or members of the committee, and is filed in the minutes of the proceedings of the Board or of the committee.

Section 6. Rules of Conduct. Meetings of the Board of Directors and Committees of the Board of Directors will be conducted in accordance with such rules as may be established by the Board of Directors.

Section 7. Participation by Conference Telephone. One or more Directors or members of a Committee established pursuant hereto may participate in a meeting of the Board of Directors or such Committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

Section 8. Waiver of Notice. Whenever any written notice is required to be given under the provisions of these bylaws or the PNCL, such notice need not be given to any Director who submits a signed waiver of notice whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such Director.

ARTICLE VI

OFFICERS

Section 1. Officers Generally. The officers shall be a Chair, a Vice-Chair, a Secretary, a Treasurer, a President and Chief Executive Officer, and such Vice Presidents and other subordinate officers as the Member shall designate. The Chair, Vice Chair, Secretary, and Treasurer shall be appointed from among the elected (*i.e.*, *non-ex officio*) members of the Board of Directors. All other officers need not, but may, be selected from among such elected members of the Board of Directors. No full-time employee of the Member or of the Corporation shall be eligible to serve as Chair or Vice Chair of the Corporation.

Section 2. Appointment of Officers. The officers shall be appointed by the Member, after consultation with the Board of Directors of the Corporation, at the Annual Meeting of the Member each year and shall hold office for terms of one year and until their successors are duly installed, subject in each case to an officer's earlier death, resignation or removal. Vacancies in any office may be filled by action of the Member after consultation with the Board of Directors of the Corporation. So long as the Member is the sole Member of the Corporation, no full-time employee of the Member or of the Corporation shall be eligible to serve as Chair or Vice Chair of the Corporation. Further, the Chair shall be appointed from among individuals who also serve on the Member's Board of Directors. Nothing contained herein shall be construed as prejudicing any officer's rights with respect to compensation under any employment agreement with the Corporation.

Section 3. Chair. The Chair shall preside at all meetings of the Board of Directors, and at the Annual Meeting of the Member each year shall present the report of the Board of Directors. The Chair shall be responsible to review the performance of the Board of Directors on an annual basis, and to report on such performance to the Member. The Chair shall have such authority, and shall perform all duties, ordinarily required of an officer in like position, and such other authority and duties as may be assigned by the Member.

Section 4. President and Chief Executive Officer. The President and Chief Executive Officer of the Corporation shall be an *ex officio* member of the Board. The President and Chief Executive Officer shall have all authority and responsibility necessary to operate the Corporation in all its activities, subject, however, to the policies and directives of the Member and of the Board of Directors with regard to the matters as to which the Board of Directors is responsible, and to the provisions of the Corporation's Articles of Incorporation and Bylaws. The President and Chief Executive Officer shall have responsibility for implementing compliance with state licensing regulations and Joint Commission on Accreditation of Health Care Organizations accreditation requirements including regulations and requirements relative to quality of care and quality assessment and improvement mechanisms. The President and Chief Executive Officer shall serve as the liaison between the Board of Directors and the Medical Staff and assist the Medical Staff with its organization and medical-administrative responsibilities.

Section 5. Vice Chair. The Vice-Chair shall perform the duties of the Chair when for any reason the Chair is unable to perform the same.

Section 6. Secretary. The Secretary shall keep and properly record the minutes of the proceedings of the Board of Directors, notify officers of their election and committee members of their appointment, give notice of all meetings of the Board of Directors and the Executive Committee, have custody of the corporate seal and of all books and papers pertaining to the office, and generally shall have such authority, and shall perform all duties, ordinarily required of an officer in like position.

Section 7. Treasurer. The Treasurer shall receive and have custody of all funds, money, and income of the Corporation not otherwise specifically provided for by the Member and shall deposit the same in such depository or depositories as the Board shall designate. The Treasurer shall have such authority, and shall perform all duties, ordinarily required of an officer in like position, and such other authority and duties as may be assigned by the Member.

Section 8. Resignation. Any officer may resign at any time by giving written notice thereof to the Chair, the President and Chief Executive Officer or the Secretary of the Corporation. Any such resignation shall take effect on the date of receipt of such notice by one of the above-specified officers, or at such later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 9. Removal. Any officer of the Corporation may be removed, with or without cause, by the Member whenever in the judgment of the Member the best interests of the

Corporation will be served thereby. Nothing contained herein shall be construed as prejudicing any officer's rights with respect to compensation under any employment agreement with the Corporation.

ARTICLE VII

COMMITTEES OF THE BOARD OF DIRECTORS

Section 1. Committees Generally. The Directors, upon direction of the Member, shall establish the following committees, and, upon the approval of the Member, may establish such other committees (standing or special) as the Board of Directors shall determine to establish, with such authority and composition as the Board of Directors shall determine (subject only to the rights and powers of the Members as set forth in the PNCL, the Articles of Incorporation, and these Bylaws, and the limitations or delegation of the Board's authority pursuant to the PNCL):

- A. Executive Committee
- B. Finance Committee
- C. Strategic Planning and Capital Development Committee
- D. Audit Committee
- E. Quality Assurance/Risk Management Committee
- F. Medical Affairs Committee

Section 2. Powers of the Executive Committee. From and after its establishment, the Executive Committee shall have and may exercise the powers of the Board of Directors in the management of the business affairs of the Corporation, except that the Executive Committee shall not have authority with respect to any of the following matters:

- A. The submission to the Member of any action requiring approval of the Member;
- B. Amending or repealing any resolution of the Board of Directors; or
- C. Approving any matters which pursuant to the Bylaws or resolution ~~of the Board of Directors is reserved to another established committee of the~~ Board.

Section 3. Finance Committee. From and after its establishment, this Committee shall review and recommend to the Board of Directors the annual budget to be proposed to the Member, establish and review periodic budgetary reports and meet with the Corporation's independent auditors following receipt of the annual audit. This Committee shall also review and recommend the financial plan of the Corporation. This Committee shall meet at least quarterly to review the budget and financial performance of the Corporation and its affiliates, and to review and recommend approval or disapproval of any proposed unbudgeted expenditures by the

Corporation where the cumulative amount of such unbudgeted expenditures is in excess of the amount fixed from time to time by the Member.

Section 4. Strategic Planning and Capital Development Committee. From and after its establishment, this Committee shall propose long range plans for the Corporation for the consideration of the Member, with the goal of constantly improving services, facilities and programs. These plans shall be periodically reviewed and revised by the Committee, and shall be subject to approval by the Member.

Section 5. Audit Committee. From and after its establishment, this Committee shall cause to be audited the accounts of the Treasurer and of the Corporation at the close of each year prior to the annual meeting of the Corporation, shall render a full report to the Member at its annual meeting, and shall have such other responsibilities and authority as designated by the Board in a resolution.

Section 6. Quality Assurance and Risk Management Committee. From and after its establishment, this Committee shall conduct itself as a forum for the discussion, analysis, review and oversight of hospital policy and procedure concerning quality assurance activities and standards as outlined in the Corporation's quality assurance program; shall be responsible for evaluating and monitoring the Corporation's quality assurance program; and shall make recommendations to the Board of Directors pursuant to its findings.

Section 7. Medical Affairs Committee. From and after its establishment, this Committee shall evaluate the types and scopes of clinical programs and services provided by the Corporation and make recommendations to the Board of Directors regarding the same; shall provide medico-administrative liaison with the Board of Directors, Medical Board and the President and Chief Executive Officer; shall monitor the activities of the Corporation in the areas of medical education and research; and to the extent requested by the Board, shall assist the Board with the resolution of disputes concerning medical affairs, including, without limitation, interdisciplinary disputes and credentialing disputes.

Section 8. Appointment of Committees. The members of any standing or special Committee shall be appointed by the Board. Each Committee shall include at least three Directors, including *ex officio* members. The Chair and the President and Chief Executive Officer shall be *ex officio* members of all committees with full voting privileges. Each other member of a committee shall serve for a term of one year and until his or her successor has been appointed, subject to his or her earlier death, resignation or removal.

Section 9. Medical Staff Participation. Each Committee shall include at least two members of the Medical Staff.

Section 10. Meetings of Committees. All standing Committees shall function under the direction of the Board of Directors and shall meet as often as necessary to transact their business and shall make such reports as they may deem necessary or which may be specifically required

of them. Minutes shall be kept of each meeting of each Committee and such minutes shall be disseminated to all members of the Board of Directors, and to the Member.

Section 11. Quorum; Act of Committee. A majority of the members of a Committee shall constitute a quorum for the transaction of business. Once a quorum has been established, subsequent withdrawal of committee members so as to reduce the number of members present to less than a quorum shall not affect the validity of any subsequent action taken at the meeting. Approval of any matter before any Committee by a majority of those present at a meeting of a Committee where a quorum is present shall constitute approval of the applicable matter by the applicable Committee.

Section 12. Resignation. Any Committee member may resign at any time by giving written notice thereof to the Chair, the President and Chief Executive Officer or the Secretary of the Corporation. Any such resignation shall take effect on the date of receipt of such notice by one of the above-specified officers, or at such later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 13. Removal. Any Committee member may be removed, with or without cause, by the Board or the Member whenever in the judgment of the Board or the Member the best interests of the Corporation will be served thereby, provided that if any Committee member is removed by the Member, at least 10 days advance notice of such removal shall be given by the Member to the Board of Directors.

ARTICLE VIII

THE MEDICAL STAFF

Section 1. Medical Staff Generally. The Board of Directors shall create a functional unit within the Corporation known as the Medical Staff. It shall be composed of physicians, dentists, and such other health care practitioners as determined by the Board. The Medical Staff shall be delegated the responsibility for making recommendations concerning the clinical privileges and Medical Staff appointment of practitioners, the quality of medical care delivered in the hospital operated by the Corporation (the "Hospital"), and rules and regulations governing the practice of practitioners within the Hospital. The Medical Staff shall be an internal component of the Hospital. It 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 retains the right to rescind any authority or procedures delegated to the Medical Staff by bylaws or otherwise and to amend the bylaws as necessary for the good operation of the 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 Medical Staff.

Section 2. Organization of Medical Staff. The Medical Staff shall be divided into clinical departments. The appointment of clinical department chairs, and of all Medical Staff standing committee chairs shall be approved by the Board of Directors.

Section 3. Appointment to Medical Staff. All appointments to the 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 Hospital policy and/or the 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.

Section 4. Denial of Privileges. In the circumstances delineated in the 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 Corporation's hospital policy or the Medical Staff bylaws. No recommendation or action other than as set forth in the Medical Staff bylaws shall constitute grounds for a hearing.

ARTICLE IX

PATIENT'S BILL OF RIGHTS

Section 1. Patient's Bill of Rights. The individual designated by the President and Chief Executive Officer as "Patient Representative" or other responsible management individual as may be charged by the President and Chief Executive Officer from time to time shall be responsible to ensure that a Patient's Bill of Rights not less in substance and coverage than required by the Pennsylvania Department of Health regulations shall be disseminated to all patients of the Hospital.

ARTICLE X

FISCAL YEAR AND ANNUAL REPORT

Section 1. Fiscal Year. The Fiscal Year of the Corporation shall be begin on the first day of July of each year and end on the last day of June of the succeeding year.

Section 2. Annual Report. As soon as may be convenient following the close of the Fiscal Year, the Board of Directors may cause to be published for general distribution an Annual Report containing such information regarding the work and affairs of the Hospital for the preceding Fiscal Year as in their discretion may be deemed advisable.

ARTICLE XI

AUXILIARY ORGANIZATIONS

Section 1. Auxiliary Organizations. The Board of Directors may provide for the establishment or permit the operation of one or more auxiliary organizations. The bylaws of these organizations shall be subject to approval by the Board of Directors and the Member.

ARTICLE XII

SEAL

Section 1. Seal. The seal of the Corporation shall be in such form as may be approved by the Board of Directors.

ARTICLE XIII

LIABILITY OF DIRECTORS

Section 1. Standard of Care and Fiduciary Duty. Each Director 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 upon which the Director may serve, in good faith, in a manner the Director 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, each 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; and
- (c) a committee of the Board of this Corporation upon which the Director does not serve, 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 the Director has knowledge concerning the matter in question that would cause his reliance to be unwarranted.

Section 2. Limitation on Liability. Neither the Member nor any Director of the Corporation shall be personally liable for monetary damages for any action taken, or any failure to take any action, provided however, that this provision shall not eliminate or limit the liability of the Member or any Director to the extent that such elimination or limitation of liability is expressly prohibited by, Section 5713 of the PNCL, as in effect at the time of the alleged action or failure to take action by such Member or Director.

Section 3. Preservation of Rights. Any repeal or modification of this Article shall not adversely affect any right or protection existing at the time of such repeal or modification to which any Member, Director or former Member or Director may be entitled under this Article. The rights conferred by this Article shall continue as to any person who has ceased to be the Member or a Director of the Corporation and shall inure to the benefit of the successors, heirs, executors, and administrators of such person.

ARTICLE XIV

INDEMNIFICATION

Section 1. Mandatory Indemnification of Directors and Officers. The Corporation shall indemnify, to the fullest extent now or hereafter permitted by law, each Director and officer (including each former Director or officer) of the Corporation who was or is or is threatened to be made a party to or a witness in any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that the Director or officer is or was an authorized representative of the Corporation, or is or was serving at the written request of the Corporation as a representative of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust or other enterprise, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the Director or officer in connection with such action, suit or proceeding if such Director or officer acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interest of the Corporation and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Section 2. Mandatory Advancement of Expenses to Directors and Officers. The Corporation shall pay expenses (including attorneys' fees) incurred by a Director or officer of the Corporation referred to in Section 1 of this Article XIV in defending or appearing as a witness in any civil or criminal action, suit or proceeding described in Section 1 of this Article XIV in advance of the final disposition of such action, suit or proceeding. The expenses incurred by such Director or officer shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding only upon receipt of an undertaking by or on behalf of such Director or officer to repay all amounts advanced if it shall ultimately be determined that the Director or officer is not entitled to be indemnified by the Corporation as provided in Section 4 of this Article XIV.

Section 3. Permissive Indemnification and Advancement of Expenses. The Corporation may, as determined by the Board of Directors from time to time, indemnify, in full or in part, to the fullest extent now or hereafter permitted by law, any person who was or is or is threatened to be made a party to or a witness in, or is otherwise involved in, any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was an authorized representative of the Corporation or is or was serving at the request of the Corporation as a representative of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust or other enterprise, both as to action in his official capacity and as to action in another capacity while holding such office or position, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in conjunction with such action, suit or proceeding if such person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interest of the Corporation and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The Corporation may, as determined by the Board of Directors from time to time, pay expenses incurred by any such person by reason of such person's participation in an action, suit or proceeding referred to in this Section 3 in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as provided in Section 4 of this Article XIV.

Section 4. Scope of Indemnification. Indemnification under this article shall not be made by the Corporation in any case where a court determines that the alleged act or failure to act giving rise to the claim for indemnification is expressly prohibited by Chapter 57, Subchapter D of the PNCL or any successor statute as in effect at the time of such alleged action or failure to take action.

Section 5. Miscellaneous. Each Director and officer of the Corporation shall be deemed to act in such capacity in reliance upon such rights of indemnification and advancement of expenses as are provided in this Article. The rights of indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which any person seeking indemnification or advancement of expenses may be entitled under any agreement, vote of members (if any), disinterested Directors, statute or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office or position, and shall continue as to a person who has ceased to be an authorized representative of the Corporation and shall inure to the benefit of the heirs, executors and administrators of such person. Any repeal or modification of this Article by the members (if any) or the Board of Directors of the Corporation shall not adversely affect any right or protection existing at the time of such appeal or modification to which any person may be entitled under this Article.

Section 6. Definition of Authorized Representative. For the purposes of this Article, the term, "authorized representative" shall mean a director, officer (including a former director or officer), or employee of the Corporation or of any corporation controlled by the Corporation, or a trustee, custodian, administrator, committeeman or fiduciary of any employee benefit plan

established and maintained by the Corporation or by any corporation controlled by the Corporation, or person serving another corporation, partnership, joint venture, trust or other enterprise in any of the foregoing capacities at the written request of the Corporation. The term "authorized representative" shall not include money managers or investment advisors (or any employees thereof) hired by the Corporation, and shall not include (i) agents of the Corporation unless indemnification thereof is expressly approved by the Board of Directors, or (ii) any Medical Staff appointee serving in his or her teaching or clinical capacity.

Section 7. Funding to Meet Indemnification Obligations. Subject to the approval of the Member, the Board of Directors shall have the power to borrow money on behalf of the Corporation, including the power to pledge the assets of the Corporation, from time to time to discharge the Corporation's obligations with respect to indemnification, the advancement and reimbursement of expenses, and the purchase and maintenance of insurance for the benefit of the Corporation and any person indemnified pursuant hereto. Upon the approval of the Member, the Corporation may, in lieu of or in addition to the purchase and maintenance of insurance, establish and maintain a fund of any nature or otherwise secure or insure in any manner its indemnification obligations, whether arising pursuant to this Article or otherwise.

ARTICLE XV

AMENDMENTS OF THESE BYLAWS AND/OR THE ARTICLES OF INCORPORATION OF THE CORPORATION

The power to amend, modify, alter or repeal these Bylaws or the Articles of Incorporation, is hereby exclusively vested in the Member of the Corporation subject, however, to Section 9 of Article III, and with respect to amendments of the following provisions in the bylaws and Articles of Incorporation of the Corporation, subject to prior notice to the Attorney General and the prior approval of the Orphans' Court: (i) provisions setting forth the purposes of the Corporation; (ii) provisions setting forth the powers reserved exclusively to the Member; (iii) provisions describing the manner in which the assets of the Corporation are to be distributed upon termination, dissolution or winding up of the Corporation; and (iv) provisions requiring notice to the Attorney General or approval of the Orphans' Court prior to the taking of certain action by the Corporation.

ARTICLE XVI

SUBVENTIONS

The Corporation shall be authorized by resolution of the Board of Directors or the Member to accept subventions from the Member or nonmembers on terms and conditions not inconsistent with PNCL § 5542, and to issue certificates therefor. The resolution of the Board of Directors or the Member may provide that the holders of subvention certificates shall be entitled to a fixed or contingent periodic payment out of the corporate assets equal to a

percentage of the original amount or value of the subvention. The rights of holders of subvention certificates shall at all times be subordinate to the rights of creditors of the Corporation.

* * * *

Ex 7

Allegheny Specialty Practice Network
EIN: 25-1838458

Attachment #7
Part II, Question 4(a): Directors and Officers

Directors

<u>Name and Title</u>	<u>Address</u>
Concetta Cibrone	President and Chief Executive Officer Allegheny General Hospital 320 East North Avenue Pittsburgh, PA 15212
Andrew Thurman	Deputy General Counsel Allegheny General Hospital 320 East North Avenue Pittsburgh, PA 15212
Barry Roth	President and Chief Executive Officer Forbes Health Center 2570 Haymaker Road Monroeville, PA 15206

All directors serve without compensation.

Officers

<u>Name and Title</u>	<u>Address</u>
Concetta Cibrone President	Address above.
Andrew Thurman Secretary	Address above.

All officers serve without compensation.

Ex 8

Allegheny Specialty Practice Network
EIN: 25-1838458

Attachment #8
Part II, Question 5: Control by Other Organizations

As discussed above in Attachment #3, the Applicant's sole member currently is HAWP and will become WPAHS. HAWP has, and WPAHS will have, extensive control over the Applicant's activities. Pursuant to Article III, Section 2(A) of the Applicant's By-Laws, the Applicant's sole member has the following authority with respect to the Applicant:

- adopt and/or approve and interpret its statement of mission and philosophy, and require the Applicant to operate in conformance with its statement of mission and philosophy;
- adopt and/or approve amendments or restatements of its By-Laws and Articles of Incorporation (to the extent provided in, and subject to certain limitations set forth in, the By-Laws);
- fix the number of, and elect, appoint, fill vacancies in and remove, with or without cause, the Applicant's directors; and elect and remove, with or without cause, its Chair, Vice Chair, Secretary and Treasurer (subject to certain limitations set forth in the Applicant's By-Laws);
- designate the Applicant's administrative structure and, after consultation with its Board of Directors, elect and remove, with or without cause, its President and Chief Executive Officer and all other officers (subject to certain limitations set forth in the Applicant's By-Laws);
- cause or approve any merger, consolidation, division, conversion, or dissolution of the Applicant, or the filing of a petition in bankruptcy or execution of a deed of assignment for the benefit of creditors by the Applicant;
- approve or cause the Applicant to engage in any acquisition or any sale, lease, exchange, mortgage, pledge or other alienation of any personal property having a value in excess of an amount to be fixed from time to time by the sole member's Board of Directors, or any real property;
- adopt and/or approve any of the Applicant's capital or operating budgets, and approve or direct any unbudgeted expenditure to be undertaken individually or collectively by the Applicant (other than unbudgeted expenditures which are required

Allegheny Specialty Practice Network
EIN: 25-1838458

in order for the Applicant to be in compliance with applicable laws, rules and regulations, and state licensing and accreditation requirements), where the cumulative amount of such unbudgeted expenditures is in excess of an amount to be fixed from time to time by the sole member's Board of Directors;

- adopt and/or approve any operating plan or financial plan with respect to the Applicant, and require the Applicant to comply with such operating or financial plan;
- approve, and/or cause the Applicant to undertake or engage itself in respect of, any bond issuance or any other indebtedness for borrowed money, or any lending of funds to an unrelated person, corporation or other legal entity, representing obligations of the Applicant in excess of an amount per annum in the aggregate established from time to time by the sole member's Board;
- approve and/or direct the allocation and transfer of the Applicant's respective excess cash (as determined by the sole member's Board of Directors) among members of the sole member's system;
- establish and/or approve the criteria for, and conduct the evaluation of, the performance of the Applicant's President and Chief Executive Officer and all vice presidents and officers of similar rank;
- approve and/or cause the adoption of proposed settlements of litigation when such settlements exceed applicable insurance coverage or the amounts reserved in respect thereof of any applicable self-insurance fund;
- approve and/or cause the adoption of any contracts between the Applicant and any managed care organization (including without limitation any health maintenance organization or independent practice association) or insurance company;
- approve and/or cause any corporate reorganization or the establishment or dissolution of any subsidiary organizations of the Applicant, including corporations, partnerships or other entities; and
- approve or direct the taking of any other action outside of the Applicant's ordinary course of business and such matters as are

WPAHS-002200

Allegheny Specialty Practice Network
EIN: 25-1838458

required to be submitted to corporate members of a Pennsylvania non-profit corporation.

Also as discussed above, pursuant to the Settlement Agreement, the Applicant is succeeding to many assets of AUMP, employer identification number 25-1752032, and AUHS, employer identification number 23-1352693.

Ex 9

Allegheny Specialty Practice Network
EIN: 25-1838458

Attachment #9
Part II, Question 7: Accountability to Other Organizations

As discussed above, the Applicant's current sole member, HAWP has, and WPAHS will have, certain powers of financial oversight over the Applicant's activities. These powers are specified in the Applicant's By-Laws and discussed in detail in Attachment #3, and include the right to approve budgets, certain borrowing and certain unbudgeted transactions.

WPAHS-002203

$\Sigma_x 10$

Allegheny Specialty Practice Network
EIN: 25-1838458

Attachment #10
Part II, Question 8: Assets Used

The Applicant currently owns no assets, but is expected shortly to receive an assignment of a portion of the AUMP and AUHS assets described above in Attachment #3, following the decision by HAWP as to which of the AUMP and AUHS assets should be transferred to the Applicant and which of such assets should be transferred to AMPN.

WPAHS-002205

Ex 11

Allegheny Specialty Practice Network
EIN: 25-1838458

Attachment #11
Part II, Question 10a: Management Services

As discussed above, the Applicant will receive fiscal management, strategic planning, external affairs/community relations, legal affairs, risk management, group purchasing, management information services, and personnel recruitment and development services from WPAHS.

The Applicant currently is not a party to any leases, but is expected shortly to receive an assignment of a portion of the AUMP and AUHS leases described above in Attachment #3 and identified in detail in the schedules to the Settlement Agreement, following the decision by HAWP as to which of the AUMP and AUHS assets should be transferred to the Applicant and which of such assets should be transferred to AMPN. Any subsequent leases resulting from future physician practice acquisitions will be negotiated by the Applicant at arm's length and will provide for fair market value rental rates.

WPAHS-002207

Σ_x 12

Allegheny Specialty Practice Network
EIN: 25-1838458

Attachment #12
Part II, Question 11: Membership Corporation

The Applicant is a "membership corporation" as defined by Pennsylvania Nonprofit Corporation Law. To that effect, the membership structure of the Applicant is analogous to the parent/subsidiary model of a proprietary corporate structure. The sole member (the parent) of the Applicant (the subsidiary), as described previously, currently is HAWP and will become WPAHS.

As sole Member of the Applicant, HAWP has, and WPAHS will have, certain reserved powers described in the Applicant's Articles of Incorporation and By-Laws, as described above, as well as certain reserved powers inherently possessed by members of non-profit corporations under the Pennsylvania Nonprofit Corporation Law of 1988, as amended. Those inherent powers include the right to appoint and remove directors, to adopt and approve amendments to the Articles of Incorporation and By-Laws of the Applicant, and to approve certain basic transactions in which the Applicant may engage.

Ex 13

Allegheny Specialty Practice Network
EIN: 25-1838458

Attachment #13
Part II, Question 12a: Benefits, Services or Products

Most of the services to be provided by the Applicant will be billed to third party payors, including Medicare and Medicaid. Rates for third party payors will vary per depending on the arrangement negotiated with such payors, but generally will be rates that are customary within the greater Pittsburgh market.

Ex. 14

Allegheny Specialty Practice Network
EIN: 25-1838458

Attachment #14
Part IV, Line 7: Other Income

	<u>6/30/2000</u>	<u>6/30/2001</u>	<u>6/30/2002</u>
Restricted Asset Income	\$ 220,000	\$ 228,800	\$ 237,952
Reimbursed Professional Services	351,000	358,020	365,180
Other	<u>224,970</u>	<u>224,970</u>	<u>224,970</u>
Total	<u>\$ 795,970</u>	<u>\$ 811,790</u>	<u>\$ 828,102</u>

WPAHS-002213

Ex 15

Allegheny Specialty Practice Network
EIN: 25-1838458

Attachment #15
Part IV, Line 22: Other Expenses

	<u>6/30/2000</u>	<u>6/30/2001</u>	<u>6/30/2002</u>
Patient Care Supplies	\$ 712,157	\$ 726,400	\$ 740,928
Malpractice Insurance	1,347,319	1,374,265	1,401,751
Purchased Services	2,455,894	2,505,012	2,555,112
Corporate Support Fees	3,931,738	4,010,373	4,090,580
Administrative	<u>966,192</u>	<u>985,516</u>	<u>1,005,226</u>
Total	<u>\$9,699,058</u>	<u>\$9,601,566</u>	<u>\$9,793,597</u>

$\Sigma_x 16$

Allegheny Specialty Practice Network
EIN: 25-1838458

Attachment #16
Schedule C

The Applicant is not a "hospital" within the traditional meaning of that term, as contemplated by the questions on Schedule C. Nevertheless, the Applicant satisfies the definition of "hospital" within the meaning of Section 170(b)(1)(A)(iii) and Treasury Regulation § 1.170A-9(c)(1), as described more fully in Attachment #3.

Based on the foregoing:

Question 1(a) is not applicable to the Applicant.

The answer to Question 1(b) is no, because only employed physicians will render services for the Applicant.

Questions 2(a), 2(b) and 2(c) are not applicable to the Applicant. The Applicant's physicians will provide emergency medical services to individuals, both on an outpatient and inpatient basis, at hospitals within the HAWP System and WPAHS System. Emergency room services are available at those hospitals, and such care is provided without regard to a patient's ability to pay.

The answer to Question 3(a) is no. Question 3(b) is not applicable.

Question 4 is not applicable to the Applicant. The Applicant's physicians will participate in the charity care rendered by the hospitals that are part of the HAWP System and the WPAHS System.

The answer to Question 5 is yes. The Applicant will enhance the education of medical students, residents, interns and fellows serving at the hospitals that are part of the HAWP System and the WPAHS System by providing such persons with the opportunity to gain necessary clinical experience under the guidance of the Applicant's physicians.

The answer to Question 6 is no.

WPAHS-002217

Ex. 17

ALLEGHENY SPECIALTY PRACTICE NETWORK

CONFLICTS OF INTEREST POLICY

Article I

Purpose

The purpose of this conflicts of interest policy is to protect the interest of Allegheny Specialty Practice Network (the "Corporation") when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a director or officer of the Corporation. This policy is intended to supplement but not replace any Pennsylvania laws and regulations governing conflicts of interest applicable to charitable not-for-profit corporations.

Article II

Definitions

1. Interested Person

Any director, principal officer, or member of a committee with board delegated powers who has a direct or indirect financial interest, as defined below, is an "interested person." 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 system.

2. Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment or family:

- a. an ownership or investment interest in any entity with which the Corporation has a transaction or arrangement; or
- b. a compensation arrangement with the Corporation or any entity or individual with which the Corporation has a transaction or arrangement; or
- 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.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate board or committee decides that a conflict of interest exists.

Article III

Procedures

1. **Duty to Disclose**

In connection with any actual or possible conflicts of interest, an interested person must disclose the existence of his or her financial interest and must be given the opportunity to disclose all material facts to the directors and members of the committees with board delegated powers considering the proposed transaction or arrangement.

2. **Determining Whether a Conflict of Interest Exists**

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

3. **Procedures for Addressing the Conflict of Interest**

a. An interested person may make a presentation at the board or committee meeting, but after such presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that results in the conflict of interest.

b. The chairperson of the board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

c. After exercising due diligence, the board or committee shall determine whether the Corporation can 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.

d. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Corporation's best interest and for its own benefit and whether the transaction is fair and reasonable to the Corporation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

4. **Violations of the Conflicts of Interest Policy**

a. If the board or committee has reasonable cause to believe that a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

b. If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the board or committee determines that the member has in fact failed to disclose an actual or potential conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV

Records of Proceedings

The minutes of the board and all committees with board-delegated powers shall contain:

1. the names of the 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's or committee's decision as to whether a conflict of interest in fact existed.
2. 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.

Article V

Compensation

1. A voting member of the board of directors who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.

2. A physician who is a voting member of the board of directors and receives compensation, directly or indirectly, from the Corporation for services is precluded from discussing and voting on matters pertaining to that member's and other physicians' compensation. No physician or physician director, either individually or collectively, is prohibited from providing information to the board of directors regarding physician compensation.

3. A voting member of 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.

4. Physicians who receive compensation, directly or indirectly, from the Corporation, whether 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.

Article VI

Annual Statements

Each director, principal, officer and member of a committee with board delegated powers shall annually sign a statement which affirms that such person:

- a. has received a copy of this 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 under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), the Corporation must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII

Periodic Reviews

To ensure that the Corporation operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from Federal income taxation under Code Section 501(c)(3), the Corporation shall conduct periodic reviews. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable and are the result of arm's-length bargaining.
- b. Whether acquisitions of physician practices and other provider services result in inurement or impermissible private benefit.
- c. Whether partnership and joint venture arrangements, and arrangements with

management service organizations and physician-hospital organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the Corporation's charitable purposes and do not result in inurement or impermissible private benefit.

- d. Whether agreements to provide health care and agreements with other health care providers, employees, and third party payors further the Corporation's charitable purposes and do not result in inurement or impermissible private benefit.

Article VIII

Use of Outside Experts

In conducting the periodic reviews provided for in Article VII, the Corporation may, but need not, use outside advisors. If outside experts are used their use shall not relieve the board of its responsibility for ensuring that periodic reviews are conducted.

* * *

This Conflict of Interest Policy was adopted by the Corporation's board of directors by Unanimous Written Consent dated as of November 12, 1999.

Power of Attorney and Declaration of Representative

OMB No. 1545-0150
 For IRS Use Only
 Received by
 Name _____
 Telephone _____
 Function _____
 Date / /

▶ See the separate instructions.

Part I Power of Attorney (Please type or print.)

1 Taxpayer information (Taxpayer(s) must sign and date this form on page 2, line 9.)

Taxpayer name(s) and address Allegheny Speciality Practice Network c/o Allegheny General Hospital 320 E. North Ave. Pittsburgh, PA 15212	Social security number(s) _____ _____ _____	Employer identification number 25 1838458 Plan number (if applicable)
		Daytime telephone number

hereby appoint(s) the following representative(s) as attorney(s)-in-fact:

2 Representative(s) (Representative(s) must sign and date this form on page 2, Part II.)

Name and address Michael A. Lehmann 1675 Broadway, 27th Floor New York, NY 10019	CAF No. _____ Telephone No. (212) 830-7258 Fax No. (212) 541-9250 Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/>
Name and address	CAF No. _____ Telephone No. _____ Fax No. _____ Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/>
Name and address	CAF No. _____ Telephone No. _____ Fax No. _____ Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/>

to represent the taxpayer(s) before the Internal Revenue Service for the following tax matters:

3 Tax matters

Type of Tax (Income, Employment, Excise, etc.)	Tax Form Number (1040, 941, 720, etc.)	Year(s) or Period(s)
Application for Recognition	Form 1023	All
of Section 501(c)(3) status		

4 Specific use not recorded on Centralized Authorization File (CAF). If the power of attorney is for a specific use not recorded on CAF, check this box. (See instruction for Line 4—Specific uses not recorded on CAF.)

5 Acts authorized. The representatives are authorized to receive and inspect confidential tax information and to perform any and all acts that I (we) can perform with respect to the tax matters described on line 3, for example, the authority to sign any agreements, consents, or other documents. The authority does not include the power to receive refund checks (see line 6 below), the power to substitute another representative unless specifically added below, or the power to sign certain returns (see instruction for Line 5—Acts authorized).

List any specific additions or deletions to the acts otherwise authorized in this power of attorney: _____

Note: In general, an unenrolled preparer of tax returns cannot sign any document for a taxpayer. See Revenue Procedure 81-38, printed as Pub. 470, for more information.

Note: The tax matters partner of a partnership is not permitted to authorize representatives to perform certain acts. See the instructions for more information.

6 Receipt of refund checks. If you want to authorize a representative named on line 2 to receive, BUT NOT TO ENDORSE OR CASH, refund checks, initial here _____ and list the name of that representative below.

Name of representative to receive refund check(s) ▶ _____

Form 2848 (Rev. 12-87)

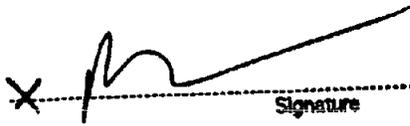
7 Notices and communications. Original notices and other written communications will be sent to you and a copy to the first representative listed on line 2 unless you check one or more of the boxes below.

- a If you want the first representative listed on line 2 to receive the original, and yourself a copy, of such notices or communications, check this box
- b If you also want the second representative listed to receive a copy of such notices and communications, check this box
- c If you do not want any notices or communications sent to your representative(s), check this box

8 Retention/revocation of prior power(s) of attorney. The filing of this power of attorney automatically revokes all earlier power(s) of attorney on file with the Internal Revenue Service for the same tax matters and years or periods covered by this document. If you do not want to revoke a prior power of attorney, check here.
YOU MUST ATTACH A COPY OF ANY POWER OF ATTORNEY YOU WANT TO REMAIN IN EFFECT.

9 Signature of taxpayer(s). If a tax matter concerns a joint return, both husband and wife must sign if joint representation is requested, otherwise, see the instructions. If signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, or trustee on behalf of the taxpayer, I certify that I have the authority to execute this form on behalf of the taxpayer.

▶ IF NOT SIGNED AND DATED, THIS POWER OF ATTORNEY WILL BE RETURNED.

X  _____
 Signature Date Title (if applicable)
 Andrew Thurman 11/19/99 Secretary
 Print Name

 Signature Date Title (if applicable)

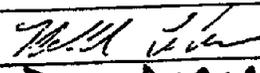
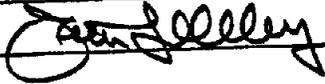
 Print Name

Part II Declaration of Representative

Under penalties of perjury, I declare that:

- I am not currently under suspension or disbarment from practice before the Internal Revenue Service;
- I am aware of regulations contained in Treasury Department Circular No. 230 (31 CFR, Part 10), as amended, concerning the practice of attorneys, certified public accountants, enrolled agents, enrolled actuaries, and others;
- I am authorized to represent the taxpayer(s) identified in Part I for the tax matter(s) specified there; and
- I am one of the following:
 - a Attorney—a member in good standing of the bar of the highest court of the jurisdiction shown below.
 - b Certified Public Accountant—duty qualified to practice as a certified public accountant in the jurisdiction shown below.
 - c Enrolled Agent—enrolled as an agent under the requirements of Treasury Department Circular No. 230.
 - d Officer—a bona fide officer of the taxpayer's organization.
 - e Full-Time Employee—a full-time employee of the taxpayer.
 - f Family Member—a member of the taxpayer's immediate family (i.e., spouse, parent, child, brother, or sister).
 - g Enrolled Actuary—enrolled as an actuary by the Joint Board for the Enrollment of Actuaries under 29 U.S.C. 1242 (the authority to practice before the Service is limited by section 10.3(d)(1) of Treasury Department Circular No. 230).
 - h Unenrolled Return Preparer—an unenrolled return preparer under section 10.7(c)(viii) of Treasury Department Circular No. 230.

▶ IF THIS DECLARATION OF REPRESENTATIVE IS NOT SIGNED AND DATED, THE POWER OF ATTORNEY WILL BE RETURNED.

Designation—Insert above letter (a-h)	Jurisdiction (state) or Enrollment Card No.	Signature	Date
a	NY		11/19/99
a	NY		11/19/99

**User Fee for Exempt Organization
 Determination Letter Request**

For IRS Use Only

Control number _____
 Amount paid _____
 User fee screener _____

▶ Attach this form to determination letter application.
 (Form 8718 is NOT a determination letter application.)

1 Name of organization
Allegheny Specialty Practice Network

2 Employer Identification Number
25 1838458

Caution: Do not attach Form 8718 to an application for a pension plan determination letter. Use Form 8717 instead.

3 Type of request

Fee

- a Initial request for a determination letter for:
- An exempt organization that has had annual gross receipts averaging not more than \$10,000 during the preceding 4 years, or
 - A new organization that anticipates gross receipts averaging not more than \$10,000 during its first 4 years ▶ **\$150**
- Note: If you checked box 3a, you must complete the Certification below.

Certification

I certify that the annual gross receipts of _____ name of organization
 have averaged (or are expected to average) not more than \$10,000 during the preceding 4 (or the first 4) years of operation.
 Signature ▶ _____ Title ▶ _____

- b Initial request for a determination letter for:
- An exempt organization that has had annual gross receipts averaging more than \$10,000 during the preceding 4 years, or
 - A new organization that anticipates gross receipts averaging more than \$10,000 during its first 4 years ▶ **\$500**
- c Group exemption letters ▶ **\$500**

Instructions

The law requires payment of a user fee with each application for a determination letter. The user fees are listed on line 3 above. For more information, see Rev. Proc. 98-8, 1998-1, I.R.B. 225.

Check the box on line 3 for the type of application you are submitting. If you check box 3a, you must complete and sign the certification statement that appears under line 3a.

Attach to Form 8718 a check or money order payable to the Internal Revenue Service for the full amount of the user fee. If you do not include the full amount, your application will be returned. Attach Form 8718 to your determination letter application.

Send the determination letter application and Form 8718 to:
 Internal Revenue Service
 P.O. Box 192
 Covington, KY 41012-0192

If you are using express mail or a delivery service, send the application and Form 8718 to:
 Internal Revenue Service
 201 West Rivercenter Blvd.
 Attn: Extracting Stop 312
 Covington, KY 41011

5393

KALKINES, ARKY, ZALL & BERNSTEIN LLP
 ATTORNEY BUSINESS ACCOUNT
 1675 BROADWAY
 NEW YORK, NY 10019-5809

STERLING NATIONAL BANK
 NEW YORK, NY 10018
 1-777-260

CHECK NO. 005393 CHECK DATE 08/18/99 VENDOR NO. IRS

PAY FIVE HUNDRED AND 00/100 DOLLARS***** CHECK AMOUNT \$*****500.00

TO THE ORDER OF INTERNAL REVENUE SERVICE

Barbara Katz Arky

WPAHS-002226

Document Divider

Form **1023**
(Rev. September 1998)
Department of the Treasury
Internal Revenue Service

Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code

OMB No. 1545-0046
Note: If exempt status is approved, this application will be open for public inspection.

Read the instructions for each Part carefully.
A User Fee must be attached to this application.
If the required information and appropriate documents are not submitted along with Form 8718 (with payment of the appropriate user fee), the application may be returned to you.
Complete the Procedural Checklist on page 8 of the instructions.

Part I Identification of Applicant

1a Full name of organization (as shown in organizing document) Allegheny Medical Practice Network		2 Employer identification number (EIN) (If none, see page 3 of the Specific Instructions.) 25 1838457
1b c/o Name (if applicable) Allegheny General Hospital		3 Name and telephone number of person to be contacted if additional information is needed Michael A. Lehmann (212) 830-7258
1c Address (number and street) 320 East North Avenue	Room/Suite	4 Month the annual accounting period ends June
1d City, town, or post office, state, and ZIP + 4. If you have a foreign address, see Specific Instructions for Part I, page 3. Pittsburgh, PA 15212		
1e Web site address None		5 Date incorporated or formed June 16, 1999
7 Did the organization previously apply for recognition of exemption under this Code section or under any other section of the Code? If "Yes," attach an explanation.		6 Check here if applying under section: a <input type="checkbox"/> 501(a) b <input type="checkbox"/> 501(b) c <input type="checkbox"/> 501(c) d <input type="checkbox"/> 501(f)
8 Is the organization required to file Form 990 (or Form 990-EZ)? If "No," attach an explanation (see page 3 of the Specific Instructions).		<input type="checkbox"/> N/A <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
9 Has the organization filed Federal income tax returns or exempt organization information returns? If "Yes," state the form numbers, years filed, and Internal Revenue office where filed. The Applicant's initial return (Form 990) for its first short year ended June 30, 1999 was due on November 15, 1999. An extension was filed.		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

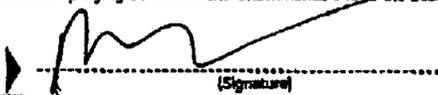
10 Check the box for the type of organization. ATTACH A CONFORMED COPY OF THE CORRESPONDING ORGANIZING DOCUMENTS TO THE APPLICATION BEFORE MAILING. (See Specific Instructions for Part I, Line 10, on page 3.) See also Pub. 557 for examples of organizational documents.)

- a Corporation— Attach a copy of the Articles of Incorporation (including amendments and restatements) showing approval by the appropriate state official; also include a copy of the bylaws. See Attachments 1 and 2.
- b Trust— Attach a copy of the Trust Indenture or Agreement, including all appropriate signatures and dates.
- c Association— Attach a copy of the Articles of Association, Constitution, or other creating document, with a declaration (see Instructions) or other evidence the organization was formed by adoption of the document by more than one person; also include a copy of the bylaws.

If the organization is a corporation or an unincorporated association that has not yet adopted bylaws, check here

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, including the accompanying schedules and attachments, and to the best of my knowledge it is true, correct, and complete.

Please Sign Here



Andrew E. Thurman, Secretary 11/19/99

(Type or print name and title or authority of signer)

(Date)

For Paperwork Reduction Act Notice, see page 7 of the instructions.

Cat. No. 17133K

Part II Activities and Operational Information

- 1 Provide a detailed narrative description of all the activities of the organization—past, present, and planned. Do not merely refer to or repeat the language in the organizational document. List each activity separately in the order of importance based on the relative time and other resources devoted to the activity. Indicate the percentage of time for each activity. Each description should include, as a minimum, the following: (a) a detailed description of the activity including its purpose and how each activity furthers your exempt purpose; (b) when the activity was or will be initiated; and (c) where and by whom the activity will be conducted.

See Attachment # 3.

-
- 2 What are or will be the organization's sources of financial support? List in order of size.

Patient revenues.

-
- 3 Describe the organization's fundraising program, both actual and planned, and explain to what extent it has been put into effect. Include details of fundraising activities such as selective mailings, formation of fundraising committees, use of volunteers or professional fundraisers, etc. Attach representative copies of solicitations for financial support.

The Applicant does not expect to undertake fund raising activities.

Part II Activities and Operational Information (Continued)

4 Give the following information about the organization's governing body:

a Names, addresses, and titles of officers, directors, trustees, etc.

See Attachment # 8.

b Annual compensation

c Do any of the above persons serve as members of the governing body by reason of being public officials or being appointed by public officials? Yes No
If "Yes," name those persons and explain the basis of their selection or appointment.

d Are any members of the organization's governing body "disqualified persons" with respect to the organization (other than by reason of being a member of the governing body) or do any of the members have either a business or family relationship with "disqualified persons"? (See Specific Instructions for Part II, Line 4d, on page 3.) Yes No
If "Yes," explain.

5 Does the organization control or is it controlled by any other organization? Yes No
Is the organization the outgrowth of (or successor to) another organization, or does it have a special relationship with another organization by reason of interlocking directorates or other factors? Yes No
If either of these questions is answered "Yes," explain.

See Attachment # 9.

6 Does or will the organization directly or indirectly engage in any of the following transactions with any political organization or other exempt organization (other than a 501(c)(3) organization): (a) grants; (b) purchases or sales of assets; (c) rental of facilities or equipment; (d) loans or loan guarantees; (e) reimbursement arrangements; (f) performance of services, membership, or fundraising solicitations; or (g) sharing of facilities, equipment, mailing lists or other assets, or paid employees? Yes No
If "Yes," explain fully and identify the other organizations involved.

7 Is the organization financially accountable to any other organization? Yes No
If "Yes," explain and identify the other organization. Include details concerning accountability or attach copies of reports if any have been submitted.

See Attachment # 10

Part II Activities and Operational Information (Continued)

8 What assets does the organization have that are used in the performance of its exempt function? (Do not include property producing investment income.) If any assets are not fully operational, explain their status, what additional steps remain to be completed, and when such final steps will be taken. If none, indicate "N/A."

See Attachment # 11.

9 Will the organization be the beneficiary of tax-exempt bond financing within the next 2 years? Yes No

10a Will any of the organization's facilities or operations be managed by another organization or individual under a contractual agreement? Yes No

b Is the organization a party to any leases? Yes No

If either of these questions is answered "Yes," attach a copy of the contracts and explain the relationship between the applicant and the other parties.

See Attachment # 12.

11 Is the organization a membership organization? Yes No

If "Yes," complete the following:

a Describe the organization's membership requirements and attach a schedule of membership fees and dues.

See Attachment # 13.

b Describe the organization's present and proposed efforts to attract members and attach a copy of any descriptive literature or promotional material used for this purpose.

See Attachment # 13.

c What benefits do (or will) the members receive in exchange for their payment of dues?

See Attachment # 13.

12a If the organization provides benefits, services, or products, are the recipients required, or will they be required, to pay for them? N/A Yes No
If "Yes," explain how the charges are determined and attach a copy of the current fee schedule.

See Attachment # 14/

b Does or will the organization limit its benefits, services, or products to specific individuals or classes of individuals? N/A Yes No

If "Yes," explain how the recipients or beneficiaries are or will be selected.

13 Does or will the organization attempt to influence legislation? Yes No

If "Yes," explain. Also, give an estimate of the percentage of the organization's time and funds that it devotes or plans to devote to this activity.

14 Does or will the organization intervene in any way in political campaigns, including the publication or distribution of statements? Yes No

If "Yes," explain fully.

Part III Technical Requirements

1 Are you filing Form 1023 within 15 months from the end of the month in which your organization was created or formed? Yes No
If you answer "Yes," do not answer questions on lines 2 through 6 below.

2 If one of the exceptions to the 15-month filing requirement shown below applies, check the appropriate box and proceed to question 7.

Exceptions—You are not required to file an exemption application within 15 months if the organization: **N/A**

- a Is a church, interchurch organization of local units of a church, a convention or association of churches, or an integrated auxiliary of a church. See **Specific Instructions**, Line 2a, on page 4;
- b Is not a private foundation and normally has gross receipts of not more than \$5,000 in each tax year; or
- c Is a subordinate organization covered by a group exemption letter, but only if the parent or supervisory organization timely submitted a notice covering the subordinate.

3 If the organization does not meet any of the exceptions on line 2 above, are you filing Form 1023 within 27 months from the end of the month in which the organization was created or formed? Yes No

If "Yes," your organization qualifies under Regulation section 301.9100-2, for an automatic 12-month extension of the 15-month filing requirement. Do not answer questions 4 through 6. **N/A**

If "No," answer question 4.

4 If you answer "No" to question 3, does the organization wish to request an extension of time to apply under the "reasonable action and good faith" and the "no prejudice to the interest of the government" requirements of Regulations section 301.9100-3? Yes No

If "Yes," give the reasons for not filing this application within the 27-month period described in question 3. See **Specific Instructions**, Part III, Line 4, before completing this item. Do not answer questions 5 and 6. **N/A**

If "No," answer questions 5 and 6.

5 If you answer "No" to question 4, your organization's qualification as a section 501(c)(3) organization can be recognized only from the date this application is filed. Therefore, do you want us to consider the application as a request for recognition of exemption as a section 501(c)(3) organization from the date the application is received and not retroactively to the date the organization was created or formed? Yes No **N/A**

6 If you answer "Yes" to question 5 above and wish to request recognition of section 501(c)(4) status for the period beginning with the date the organization was formed and ending with the date the Form 1023 application was received (the effective date of the organization's section 501(c)(3) status), check here and attach a completed page 1 of Form 1024 to this application.

N/A

Part III Technical Requirements (Continued)

7 Is the organization a private foundation?

- Yes (Answer question B.)
 No (Answer question 9 and proceed as instructed.)

8 If you answer "Yes" to question 7, does the organization claim to be a private operating foundation?

- Yes (Complete Schedule E.)
 No

N/A

After answering question 8 on this line, go to line 14 on page 7.

9 If you answer "No" to question 7, indicate the public charity classification the organization is requesting by checking the box below that most appropriately applies:

THE ORGANIZATION IS NOT A PRIVATE FOUNDATION BECAUSE IT QUALIFIES:

- | | | |
|---|--|--|
| a | <input type="checkbox"/> As a church or a convention or association of churches
(CHURCHES MUST COMPLETE SCHEDULE A.) | Sections 509(a)(1)
and 170(b)(1)(A)(i) |
| b | <input type="checkbox"/> As a school (MUST COMPLETE SCHEDULE B.) | Sections 509(a)(1)
and 170(b)(1)(A)(ii) |
| c | <input checked="" type="checkbox"/> As a hospital or a cooperative hospital service organization, or a medical research organization operated in conjunction with a hospital (These organizations, except for hospital service organizations, MUST COMPLETE SCHEDULE C.) | Sections 509(a)(1)
and 170(b)(1)(A)(iii) |
| d | <input type="checkbox"/> As a governmental unit described in section 170(c)(1). | Sections 509(a)(1)
and 170(b)(1)(A)(v) |
| e | <input type="checkbox"/> As being operated solely for the benefit of, or in connection with, one or more of the organizations described in a through d, g, h, or i (MUST COMPLETE SCHEDULE D.) | Section 509(a)(3) |
| f | <input type="checkbox"/> As being organized and operated exclusively for testing for public safety. | Section 509(a)(4) |
| g | <input type="checkbox"/> As being operated for the benefit of a college or university that is owned or operated by a governmental unit. | Sections 509(a)(1)
and 170(b)(1)(A)(iv) |
| h | <input type="checkbox"/> As receiving a substantial part of its support in the form of contributions from publicly supported organizations, from a governmental unit, or from the general public. | Sections 509(a)(1)
and 170(b)(1)(A)(vi) |
| i | <input type="checkbox"/> As normally receiving not more than one-third of its support from gross investment income and more than one-third of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions (subject to certain exceptions). | Section 509(a)(2) |
| j | <input type="checkbox"/> The organization is a publicly supported organization but is not sure whether it meets the public support test of h or i. The organization would like the IRS to decide the proper classification. | Sections 509(a)(1)
and 170(b)(1)(A)(vi)
or Section 509(a)(2) |

If you checked one of the boxes a through f in question 9, go to question 14. If you checked box g in question 9, go to questions 11 and 12. If you checked box h, i, or j, in question 9, go to question 10.

Part III Technical Requirements (Continued)

- 10 If you checked box h, i, or j in question 9, has the organization completed a tax year of at least 8 months? N/A
 Yes—Indicate whether you are requesting:
 A definitive ruling. (Answer questions 11 through 14.)
 An advance ruling. (Answer questions 11 and 14 and attach two Forms 872-C completed and signed.)
 No—You must request an advance ruling by completing and signing two Forms 872-C and attaching them to the Form 1023.

- 11 If the organization received any unusual grants during any of the tax years shown in Part IV-A, Statement of Revenue and Expenses, attach a list for each year showing the name of the contributor; the date and the amount of the grant; and a brief description of the nature of the grant.

N/A

- 12 If you are requesting a definitive ruling under section 170(b)(1)(A)(iv) or (vi), check here and: N/A

- a Enter 2% of line 8, column (e), Total, of Part IV-A
 b Attach a list showing the name and amount contributed by each person (other than a governmental unit or "publicly supported" organization) whose total gifts, grants, contributions, etc., were more than the amount entered on line 12a above.

- 13 If you are requesting a definitive ruling under section 509(a)(2), check here and: N/A

- a For each of the years included on lines 1, 2, and 9 of Part IV-A, attach a list showing the name of and amount received from each "disqualified person." (For a definition of "disqualified person," see Specific Instructions, Part II, Line 4d, on page 3.)
 b For each of the years included on line 9 of Part IV-A, attach a list showing the name of and amount received from each payer (other than a "disqualified person") whose payments to the organization were more than \$5,000. For this purpose, "payer" includes, but is not limited to, any organization described in sections 170(b)(1)(A)(i) through (vi) and any governmental agency or bureau.

14 Indicate if your organization is one of the following. If so, complete the required schedule. (Submit only those schedules that apply to your organization. Do not submit blank schedules.)	Yes	No	If "Yes," complete Schedule:
Is the organization a church?		X	A
Is the organization, or any part of it, a school?		X	B
Is the organization, or any part of it, a hospital or medical research organization?	X		C
Is the organization a section 509(a)(3) supporting organization?		X	D
Is the organization a private operating foundation?		X	E
Is the organization, or any part of it, a home for the aged or handicapped?		X	F
Is the organization, or any part of it, a child care organization?		X	G
Does the organization provide or administer any scholarship benefits, student aid, etc.?		X	H
Has the organization taken over, or will it take over, the facilities of a "for profit" institution?		X	I

Part IV Financial Data

Allegheny Medical Practice Network

Complete the financial statements for the current year and for each of the 3 years immediately before it. If in existence less than 4 years, complete the statements for each year in existence. If in existence less than 1 year, also provide proposed budgets for the 2 years following the current year.

A. Statement of Revenue and Expenses

	Current tax year	3 prior tax years or proposed budget for 2 years			(e) TOTAL
	(a) From 7/1/99 to	(b) 7/1/2000	(c) 7/1/2001	(d)	
Revenue					
1 Gifts, grants, and contributions received (not including unusual grants—see page 6 of the instructions)	0	0	0	0	0
2 Membership fees received	0	0	0	0	0
3 Gross investment income (see instructions for definition)	0	0	0	0	0
4 Net income from organization's unrelated business activities not included on line 3	200,000	204,000	208,080		612,080
5 Tax revenues levied for and either paid to or spent on behalf of the organization	0	0	0		0
6 Value of services or facilities furnished by a governmental unit to the organization without charge (not including the value of services or facilities generally furnished the public without charge)	0	0	0		0
7 Other income (not including gain or loss from sale of capital assets) (attach schedule)	717,000	732,980	749,329		2,199,309
8 Total (add lines 1 through 7)	917,000	936,980	957,419		2,811,389
9 Gross receipts from admissions, sales of merchandise or services, or furnishing of facilities in any activity that is not an unrelated business within the meaning of section 513. Include related cost of sales on line 22	32,778,000	33,723,340	34,540,709		103,854,438
10 Total (add lines 8 and 9)	33,695,000	34,660,320	35,498,118		106,664,827
11 Gain or loss from sale of capital assets (attach schedule)	0	0	0		0
12 Unusual grants	0	0	0		0
13 Total revenue (add lines 10 through 12)	33,695,000	34,660,320	35,498,118		106,664,827
Expenses					
14 Fundraising expenses	0	0	0		
15 Contributions, gifts, grants, and similar amounts paid (attach schedule)	0	0	0		
16 Disbursements to or for benefit of members (attach schedule)	0	0	0		
17 Compensation of officers, directors, and trustees (attach schedule)	0	0	0		
18 Other salaries and wages	31,079,000	31,383,500	31,694,090		
19 Interest	0	0	0		
20 Occupancy (rent, utilities, etc.)	0	0	0		
21 Depreciation and depletion	1,282,000	1,312,000	1,342,000		
22 Other (attach schedule)	16,753,000	16,678,971	16,820,436		
23 Total expenses (add lines 14 through 22)	49,114,000	49,374,471	49,856,526		
24 Excess of revenue over expenses (line 13 minus line 23)	(15,419,000)	(14,714,151)	(14,358,408)		

Part IV Financial Data (Continued) Allegheny Medical Practice Network

B. Balance Sheet (at the end of the period shown)		Current tax year Date <u>6/30/2000</u>
Assets		
1	Cash	2,567,000
2	Accounts receivable, net	1,463,000
3	Inventories	424,000
4	Bonds and notes receivable (attach schedule)	0
5	Corporate stocks (attach schedule)	0
6	Mortgage loans (attach schedule)	0
7	Other investments (attach schedule)	0
8	Depreciable and depletable assets (attach schedule)	9,846,000
9	Land	0
10	Other assets (attach schedule)	321,000
11	Total assets (add lines 1 through 10)	14,621,000
Liabilities		
12	Accounts payable	7,211,000
13	Contributions, gifts, grants, etc., payable	33,021,000
14	Mortgages and notes payable (attach schedule)	0
15	Other liabilities (attach schedule)	2,311,000
16	Total liabilities (add lines 12 through 15)	42,543,000
Fund Balances or Net Assets		
17	Total fund balances or net assets	(27,922,000)
18	Total liabilities and fund balances or net assets (add line 16 and line 17)	14,621,000
If there has been any substantial change in any aspect of the organization's financial activities since the end of the period shown above, check the box and attach a detailed explanation <input type="checkbox"/>		

Schedule C. Hospitals and Medical Research Organizations

- Check here if claiming to be a hospital; complete the questions in Section I of this schedule; and write "N/A" in Section II.
 Check here if claiming to be a medical research organization operated in conjunction with a hospital; complete the questions in Section II of this schedule; and write "N/A" in Section I.

Section I Hospitals

- 1a How many doctors are on the hospital's courtesy staff? N/A
- b Are all the doctors in the community eligible for staff privileges? Yes No
 If "No," give the reasons why and explain how the courtesy staff is selected.
 See Attachment #18.
- 2a Does the hospital maintain a full-time emergency room? Yes No N/A
- b What is the hospital's policy on administering emergency services to persons without apparent means to pay?
N/A
- c Does the hospital have any arrangements with police, fire, and voluntary ambulance services for the delivery or admission of emergency cases? Yes No N/A
 Explain.
- 3a Does or will the hospital require a deposit from persons covered by Medicare or Medicaid in its admission practices? Yes No
 If "Yes," explain.
- b Does the same deposit requirement, if any, apply to all other patients? Yes No N/A
 If "No," explain.
- 4 Does or will the hospital provide for a portion of its services and facilities to be used for charity patients? Yes No N/A
 Explain the policy regarding charity cases. Include data on the hospital's past experience in admitting charity patients and arrangements it may have with municipal or government agencies for absorbing the cost of such care.
- 5 Does or will the hospital carry on a formal program of medical training and research? Yes No
 If "Yes," describe.
- 6 Does the hospital provide office space to physicians carrying on a medical practice? Yes No
 If "Yes," attach a list setting forth the name of each physician, the amount of space provided, the annual rent, the expiration date of the current lease and whether the terms of the lease represent fair market value.

Section II Medical Research Organizations

- 1 Name the hospitals with which the organization has a relationship and describe the relationship.
- 2 Attach a schedule describing the organization's present and proposed (indicate which) medical research activities; show the nature of the activities, and the amount of money that has been or will be spent in carrying them out. (Making grants to other organizations is not direct conduct of medical research.)
- 3 Attach a statement of assets showing their fair market value and the portion of the assets directly devoted to medical research.

For more information, see back of Schedule C.

Allegheny Medical Practice Network
EIN: 25-1838457

List of Attachments

Attachment #1	The Applicant's Certificate of Incorporation
Attachment #2	The Applicant's By-Laws
Attachment #3	Response to Part II, Question 1: Activities and Operational Information
Attachment #4	Settlement Agreement
Attachment #5	Affiliation Agreement
Attachment #6	Membership Withdrawal Agreement
Attachment #7	Conflict of Interest Policy
Attachment #8:	Response to Part II, Question 4: Directors and Officers
Attachment #9:	Response to Part II, Question 5: Control by Other Organizations
Attachment #10:	Response to Part II, Question 7: Accountability to Other Organizations
Attachment #11:	Response to Part II, Question 8: Assets Used
Attachment #12:	Response to Part II, Question 10(a): Management Services
Attachment #13:	Response to Part II, Question 11: Membership Corporation
Attachment #14:	Response to Part II, Question 12a: Benefits, Services or Products
Attachment #15:	Response to Part IV, Line 4: Unrelated Trade or Business Income
Attachment #16:	Response to Part IV, Line 7: Other Income
Attachment #17:	Part IV, Line 22: Other Expenses
Attachment #18:	Response to Schedule C

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Filed in the Department of
State of

Kim D. [Signature]
Secretary of the Commonwealth

2882865

**ARTICLES OF INCORPORATION
OF THE
ALLEGHENY MEDICAL PRACTICE NETWORK**

In compliance with the requirements of 15 Pa.C.S. § 5306, the undersigned, being of full age and desiring to incorporate a nonprofit corporation, hereby certifies as follows:

FIRST: The name of the corporation is Allegheny Medical Practice Network (hereinafter the "Corporation").

SECOND: The address of the Corporation's initial registered office in this Commonwealth is 4800 Friendship Avenue, Pittsburgh, Pennsylvania 15224, located in the county of Allegheny.

THIRD: The Corporation is incorporated under the Pennsylvania Nonprofit Corporation Law of 1988.

FOURTH: The Corporation is formed and is to be operated exclusively for the following charitable, scientific and educational purposes, within the meaning of sections 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"):

- (a) establishing, maintaining and operating programs and facilities rendering diagnostic and clinical and other health care services and health related services in the Western Pennsylvania community (including, without limitation, offices and clinics, hospitals, psychiatric hospitals, children's hospitals, rehabilitation hospitals, ambulatory care services and facilities, long term care facilities, and agencies or facilities providing for persons in their homes);
- (b) providing health care for sick, injured, disabled, indigent, or infirm persons in the Western Pennsylvania community;
- (c) providing for the preservation of health of the Western Pennsylvania community;
- (d) establishing, maintaining and operating such activities, services, and facilities as are designed or intended to advance or support medical education, clinical

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research, and preventive health activity; in each case as determined by the Corporation's sole member and as an integral part of the regional health care system comprised of corporations of which the Corporation's sole member is also the sole member and that are described in section 501(c)(3) of the Code; and

(e) exercising such powers in furtherance of the foregoing purposes as are now or may be granted hereafter by the Nonprofit Corporation Law of the Commonwealth of Pennsylvania, as amended from time to time, or any successor legislation.

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

SIXTH: The Corporation is organized upon a nonstock basis.

SEVENTH: The Member or Members shall be the entity and/or persons identified as such in the Corporation's Bylaws. As such, the Member or Members shall have all of the rights and privileges conferred upon nonprofit corporate Members under the laws of the Commonwealth of Pennsylvania, except as otherwise specified in the Bylaws of the Corporation, as well as such additional rights and privileges as shall be specified in the Bylaws of the Corporation.

EIGHTH: The name and address of the incorporator is:

Name	Address
Michael A. Lehmann	c/o Kalkines, Arky, Zall & Bernstein LLP 1675 Broadway, 27th Floor New York, New York 10019

NINTH: Notwithstanding any other provision herein, the Corporation is organized and is to be operated exclusively for one or more of the purposes specified in section 501(c)(3) of the Code and shall neither have nor exercise any power, nor shall it engage directly or indirectly in any activity, that would invalidate (i) its status as a corporation which is exempt from Federal income taxation under section 501(a) of the Code, as an organization described in section 501(c)(3) of the Code, and (ii) its status as an organization, contributions to which are deductible under sections 170(c)(2), 2055(a)(2) and 2522(a)(2) of the Code.

TENTH: No part of the net earnings of the Corporation shall inure to the benefit of any trustee, director or officer of the Corporation or any private individual, firm, corporation or association, except that reasonable compensation may be paid for services rendered and payments and distributions may be made in furtherance of the purposes set forth in Article FOURTH hereof, and no trustee, director or officer of the Corporation, nor any

private individual, firm, corporation or association, shall be entitled to share in the distribution of any of the corporate assets on dissolution of the Corporation.

ELEVENTH: In the event of dissolution of the Corporation, its Board of Directors, after making provision for the payment of all of the liabilities of the Corporation, and subject to providing prior notice to the Attorney General, obtaining the approval of the Orphans' Court of the Commonwealth of Pennsylvania, and compliance with the laws of the Commonwealth of Pennsylvania, shall arrange for either the direct distribution of all of the assets of the Corporation for the purposes of the Corporation (as set forth in Article FOURTH hereof) or the distribution to one or more organizations (i) which qualify for exemption under the provisions of section 501(a) of the Code as an organization described in section 501(c)(3) of the Code and classified as a public charity pursuant to section 509(a) of the Code and the Treasury Regulations promulgated thereunder, and (ii) contributions to which then are deductible under sections 170(c)(2), 2055(a)(2) and 2522(a) of the Code.

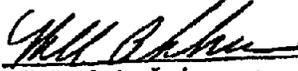
TWELFTH: No substantial part of the activities of the Corporation shall be carrying on propaganda, or otherwise attempting to influence legislation, except as may otherwise be permitted by section 501(h) of the Code. No part of the activities of the Corporation shall be participating in, or intervening in, any political campaign on behalf of or in opposition to any candidate for public office (including the publishing or distributing of statements).

THIRTEENTH: The Member or Members may alter or amend these Articles, subject to obtaining any additional approvals required by the Bylaws of the Corporation, and provided that any such alteration or amendment shall be consistent with the Corporation's status as (i) a corporation which is exempt from Federal income taxation under section 501(a) of the Code, as an organization described in section 501(c)(3) of the Code, and (ii) a corporation, contributions to which are deductible under sections 170(c)(2), 2055(a)(2) and 2522(a)(2) of the Code.

FOURTEENTH: Reference in these Articles to sections of the "Code" shall be deemed to include corresponding provisions of any future United States Internal Revenue law.

9945-1152

IN TESTIMONY WHEREOF, the incorporator has signed these Articles of Incorporation this 15th day of June, 1999.


Michael A. Lehmann

c/o Kalkines, Arky, Zall & Bernstein LLP
1675 Broadway, 27th Floor
New York, New York 10019

RETURN TO:
CSC

date stamp

21612413230 P.002/000

ARTICLES OF INCORPORATION
OF THE
ALLEGHENY MEDICAL PRACTICE NETWORK

In compliance with the requirements of 15 Pa.C.S. § 5306, the undersigned, being of full age and desiring to incorporate a nonprofit corporation, hereby certifies as follows:

FIRST: The name of the corporation is Allegheny Medical Practice Network (hereinafter the "Corporation").

SECOND: The address of the Corporation's initial registered office in this Commonwealth is 4800 Friendship Avenue, Pittsburgh, Pennsylvania 15224, located in the county of Allegheny.

THIRD: The Corporation is incorporated under the Pennsylvania Nonprofit Corporation Law of 1988.

FOURTH: The Corporation is formed and is to be operated exclusively for the following charitable, scientific and educational purposes, within the meaning of sections 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"):

(a) establishing, maintaining and operating programs and facilities rendering diagnostic and clinical and other health care services and health related services in the Western Pennsylvania community (including, without limitation, offices and clinics, hospitals, psychiatric hospitals, children's hospitals, rehabilitation hospitals, ambulatory care services and facilities, long term care facilities, and agencies or facilities providing for persons in their homes);

(b) providing health care for sick, injured, disabled, indigent, or infirm persons in the Western Pennsylvania community;

(c) providing for the preservation of health of the Western Pennsylvania community;

(d) establishing, maintaining and operating such activities, services, and facilities as are designed or intended to advance or support medical education, clinical

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research, and preventive health activity; in each case as determined by the Corporation's sole member and as an integral part of the regional health care system comprised of corporations of which the Corporation's sole member is also the sole member and that are described in section 501(c)(3) of the Code; and

(e) exercising such powers in furtherance of the foregoing purposes as are now or may be granted hereafter by the Nonprofit Corporation Law of the Commonwealth of Pennsylvania, as amended from time to time, or any successor legislation.

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

SIXTH: The Corporation is organized upon a nonstock basis.

SEVENTH: The Member or Members shall be the entity and/or persons identified as such in the Corporation's Bylaws. As such, the Member or Members shall have all of the rights and privileges conferred upon nonprofit corporate Members under the laws of the Commonwealth of Pennsylvania, except as otherwise specified in the Bylaws of the Corporation, as well as such additional rights and privileges as shall be specified in the Bylaws of the Corporation.

EIGHTH: The name and address of the incorporator is:

Name	Address
Michael A. Lehmann	c/o Kalkines, Arky, Zull & Bernstein LLP 1675 Broadway, 27th Floor New York, New York 10019

NINTH: Notwithstanding any other provision herein, the Corporation is organized and is to be operated exclusively for one or more of the purposes specified in section 501(c)(3) of the Code and shall neither have nor exercise any power, nor shall it engage directly or indirectly in any activity, that would invalidate (i) its status as a corporation which is exempt from Federal income taxation under section 501(a) of the Code, as an organization described in section 501(c)(3) of the Code, and (ii) its status as an organization, contributions to which are deductible under sections 170(c)(2), 2055(a)(2) and 2522(a)(2) of the Code.

TENTH: No part of the net earnings of the Corporation shall inure to the benefit of any trustee, director or officer of the Corporation or any private individual, firm, corporation or association, except that reasonable compensation may be paid for services rendered and payments and distributions may be made in furtherance of the purposes set forth in Article FOURTH hereof, and no trustee, director or officer of the Corporation, nor any

private individual, firm, corporation or association, shall be entitled to share in the distribution of any of the corporate assets on dissolution of the Corporation.

ELEVENTH: In the event of dissolution of the Corporation, its Board of Directors, after making provision for the payment of all of the liabilities of the Corporation, and subject to providing prior notice to the Attorney General, obtaining the approval of the Orphans' Court of the Commonwealth of Pennsylvania, and compliance with the laws of the Commonwealth of Pennsylvania, shall arrange for either the direct distribution of all of the assets of the Corporation for the purposes of the Corporation (as set forth in Article FOURTH hereof) or the distribution to one or more organizations (i) which qualify for exemption under the provisions of section 501(a) of the Code as an organization described in section 501(c)(3) of the Code and classified as a public charity pursuant to section 509(a) of the Code and the Treasury Regulations promulgated thereunder, and (ii) contributions to which there are deductible under sections 170(c)(2), 2055(a)(2) and 2522(a) of the Code.

TWELFTH: No substantial part of the activities of the Corporation shall be carrying on propaganda, or otherwise attempting to influence legislation, except as may otherwise be permitted by section 501(h) of the Code. No part of the activities of the Corporation shall be participating in, or intervening in, any political campaign on behalf of or in opposition to any candidate for public office (including the publishing or distributing of statements).

THIRTEENTH: The Member or Members may alter or amend these Articles, subject to obtaining any additional approvals required by the Bylaws of the Corporation, and provided that any such alteration or amendment shall be consistent with the Corporation's status as (i) a corporation which is exempt from Federal income taxation under section 501(a) of the Code, as an organization described in section 501(c)(3) of the Code, and (ii) a corporation, contributions to which are deductible under sections 170(c)(2), 2055(a)(2) and 2522(a)(2) of the Code.

FOURTEENTH: Reference in these Articles to sections of the "Code" shall be deemed to include corresponding provisions of any future United States Internal Revenue law.

IN TESTIMONY WHEREOF, the incorporator has signed these Articles of Incorporation this 5th day of June, 1999.


Michael A. Lehman

c/o Kaikines, Arky, Zall & Bernstein LLP
1675 Broadway, 27th Floor
New York, New York 10019

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AMENDED AND RESTATED BYLAWS
OF
ALLEGHENY MEDICAL PRACTICE NETWORK

ARTICLE I

NAME AND LOCATION

Section 1. Name. The name of the Corporation is Allegheny Medical Practice Network (the "Corporation").

Section 2. Principal Office. The principal office of the Corporation shall be located at 320 East North Avenue, Pittsburgh, Pennsylvania 15212 or at such other address as the Board of Directors shall determine.

ARTICLE II

PURPOSE; PARTICIPATION IN SYSTEM

Section 1. Purpose. The Corporation is formed and is to be operated exclusively for the following charitable, scientific and educational purposes, within the meaning of sections 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"):

- (a) establishing, maintaining and operating programs and facilities rendering diagnostic and clinical and other health care services and health related services in the Western Pennsylvania community (including, without limitation, offices and clinics, hospitals, psychiatric hospitals, children's hospitals, rehabilitation hospitals, ambulatory care services and facilities, long term care facilities, and agencies or facilities providing for persons in their homes);
- (b) providing health care for sick, injured, disabled, indigent, or infirm persons in the Western Pennsylvania community;
- (c) providing for the preservation of health of the Western Pennsylvania community;
- (d) establishing, maintaining and operating such activities, services, and facilities as are designed or intended to advance or support medical education, clinical research, and preventive health activity; in each case as determined by the Corporation's sole member and as an integral part of the regional health care system comprised of corporations of which the Corporation's sole member is also the sole member and that are described in section 501(c)(3) of the Code; and

(e) exercising such powers in furtherance of the foregoing purposes as are now or may be granted hereafter by the Nonprofit Corporation Law of the Commonwealth of Pennsylvania, as amended from time to time, or any successor legislation (the "PNCL").

Section 2. Participation in System. The Corporation is a constituent entity of the health care system serving Western Pennsylvania known as The Healthcare Alliance For Western Pennsylvania (the "System") which, as of the date of the adoption of these bylaws, is comprised of affiliated hospitals and certain other affiliated organizations. These Bylaws, among other things, establish the relative authority and responsibility of the entities and individuals participating in the governance and management of the Corporation in its capacity as part of the System.

ARTICLE III

MEMBER

Section 1. Member. Subject to Section 9 of this Article III, the sole voting member of the Corporation (the "Member") shall be The Healthcare Alliance for Western Pennsylvania, Inc. (the "Member"), acting through its Board of Directors (the "Member Board"), or through its Executive Committee (the "Member Executive Committee") or designated officers of the Member (the "Designated Representatives") to the extent that the Member has, pursuant to its Bylaws or by resolution duly adopted by the Member Board, delegated its authority herein to the Member Executive Committee or to a Designated Representative; provided, however, that neither the Member Executive Committee nor any Designated Representative shall have the authority to act on behalf of the Member with respect to any of the actions identified in Section 2.B of this Article III.

Section 2. Powers and Rights of Member.

A. The Member shall have such powers and rights as are set forth in the PNCL and the Articles of Incorporation of the Corporation. Without limiting and in addition to such powers and rights, the Member shall have the exclusive authority to exercise the following powers:

(1) Adopt and/or approve and interpret the statement of mission and philosophy of the Corporation, and require the Corporation to operate in conformance with its statement of mission and philosophy;

(2) Adopt and/or approve amendments or restatements of the bylaws and Articles of Incorporation of the Corporation, subject, however, to Section 9 of this Article III, and with respect to amendments of the following provisions in the bylaws and Articles of Incorporation of the Corporation, subject to prior notice to the Attorney General and the prior approval of the Orphans' Court: (i) provisions setting forth the purposes of the Corporation; (ii) provisions setting

forth the powers reserved exclusively to the Member; (iii) provisions describing the manner in which the assets of the Corporation are to be distributed upon termination, dissolution or winding up of the Corporation; and (iv) provisions requiring notice to the Attorney General or approval of the Orphans' Court prior to the taking of certain action by the Corporation.

(3) Fix the number of, and elect, appoint, fill vacancies in and remove, with or without cause, the Directors; and elect and remove, with or without cause, the Chair and Vice Chair of the Board of Directors of the Corporation, and the Secretary and Treasurer of the Corporation; provided that no Director or officer shall be removed by the Member without 10 days prior notice of such removal from the Member to the Board of Directors;

(4) Designate the administrative structure of the Corporation and, after consultation with the Board of Directors of the Corporation, elect and remove, with or without cause, the President and Chief Executive Officer and all vice presidents and other officers of the Corporation, provided that no officer shall be removed by the Member without 10 days prior notice of such removal from the Member to the Board of Directors;

(5) Cause or approve any merger, consolidation, division, conversion, or dissolution of the Corporation, or the filing of a petition in bankruptcy or execution of a deed of assignment for the benefit of creditors;

(6) Approve or cause the Corporation to engage in any acquisition or any sale, lease, exchange, mortgage, pledge or other alienation of any personal property of the Corporation having a value in excess of an amount to be fixed from time to time by the Member or any real property of the Corporation;

(7) Adopt and/or approve any capital or operating budgets of the Corporation, and approve or direct any unbudgeted expenditure to be undertaken individually or collectively by the Corporation and any affiliated corporations controlled by the Corporation (other than unbudgeted expenditures which are required in order for the Corporation to be in compliance with applicable laws, rules and regulations, and state licensing and accreditation requirements), where the cumulative amount of such unbudgeted expenditures is in excess of an amount to be fixed from time to time by the Member;

(8) Adopt and/or approve any operating plan or financial plan with respect to the Corporation, and require the Corporation to comply with such operating or financial plan;

(9) Approve and/or cause the Corporation to undertake or engage itself in respect of any bond issuance or any other indebtedness for borrowed money of the Corporation, or any lending of funds by the Corporation to an unrelated

person, corporation or other legal entity, including without limitation any capital leases (other than indebtedness to provide funds for expenditures necessary in order for the Corporation to be in compliance with applicable laws, rules and regulations, and state licensing and accreditation requirements, to the extent such funds are not otherwise reasonably available), representing obligations of the Corporation in excess of an amount per annum in the aggregate established from time to time by the Member;

(10) Approve and/or direct the allocation and transfer of the Corporation's excess cash (as determined by the Member) among those charitable nonprofit health care organizations operating in Western Pennsylvania of which the Member is the sole Member, which organizations are exempt from federal income taxation under Section 501(a) of the Code because they are organizations described in Section 501(c)(3) of the Code, provided that any such allocation and transfer shall be in furtherance of the Corporation's charitable purposes;

(11) Establish and/or approve the criteria for, and conduct the evaluation of, the performance of the President and Chief Executive Officer and all vice presidents and officers of similar rank of the Corporation;

(12) Approve and/or cause the adoption by the Corporation of proposed settlements of litigation when such settlements exceed applicable insurance coverage or the amounts reserved in respect thereof of any applicable self-insurance fund;

(13) Approve and/or cause the adoption by the Corporation of any contracts between the Corporation and any managed care organization (including without limitation any health maintenance organization or independent practice association) or insurance company;

(14) Approve and/or cause any corporate reorganization of the Corporation or the establishment or dissolution of any subsidiary organizations, including corporations, partnerships or other entities, of the Corporation;

(15) Adopt and/or approve the strategic plan of the Corporation; and

(16) Approve or direct the taking of any other action outside of ordinary course of business and such matters as are required to be submitted to corporate members of a Pennsylvania nonprofit corporation.

Except as otherwise required by the PNCL, and subject to Section 9 of this Article III, the action of the Member with respect to each of the foregoing actions shall be sufficient to approve such actions, no action by the Board of Directors of the Corporation shall be required with respect to any such actions, and, to the full extent permitted by law, no action of the Board of

Directors with respect to any such actions shall be effective for any purpose without the approval of the Member.

B. Each of the following actions may be approved by the Member only through action of the Member Board, and not through action of the Member Executive Committee or any Designated Representative:

(1) The adoption or approval of a statement of mission and philosophy of the Corporation;

(2) The adoption or approval of any amendments of the Bylaws or Articles of Incorporation of the Corporation;

(3) The approval of any merger, consolidation, division, conversion, or dissolution of the Corporation, or the filing of a petition in bankruptcy or execution of a deed of assignment for the benefit of creditors, or the sale or other disposition of all or substantially all of the assets of the Corporation;

(4) The election, appointment and removal of the Directors, the Chair and Vice Chair of the Board of Directors of the Corporation, and the Secretary and Treasurer of the Corporation;

(5) The approval of any bond issuance or incurrence of any other indebtedness for borrowed money of the Corporation, or any lending of funds by the Corporation to an unrelated person, corporation or other legal entity, including without limitation any capital leases; and

(6) The approval and/or direction of the allocation and transfer of the Corporation's excess cash (as determined by the Member) among those charitable nonprofit health care organizations operating in Western Pennsylvania of which the Member is the sole Member.

Section 3. Meetings of Member. Meetings of the Member may be held at such place within the Commonwealth of Pennsylvania as the Member may from time to time determine, or as may be designated in the notice of the meeting.

Section 4. Annual Meeting of the Member.

A. Unless otherwise fixed by the Member, the annual meeting of the Corporation shall be held in June of each year. At each annual meeting, (i) the Board of Directors shall present to the Member an annual report regarding the financial performance of the Corporation, and (ii) the Member shall appoint the Board of Directors of the Corporation in accordance with Article IV and all officers that pursuant to the Bylaws are then to be appointed by the Member. If the annual meeting shall not be called and held within one (1) month of the date specified in this Article III, Section 4 or fixed by the Member in accordance with this Article III, Section

4, as applicable, any members of the Board of Directors and any officers theretofore appointed by the Member shall continue to serve unless removed by the Member (or unless the applicable member of the Board of Directors or officer resigns), and a special meeting may be held in place thereof with the same force and effect as the annual meeting, and in such case all references in these Bylaws, except in this Article III, Section 4, to the annual meeting of the Corporation shall be deemed to refer to such special meeting. Any such special meeting shall be called and notice given as provided in Article III, Sections 5 and 7, as applicable.

B. Immediately after each annual appointment of the Board of Directors by the Member at the annual meeting or a special meeting, the Board of Directors of the Corporation shall meet for the transaction of business to be conducted by the Board of Directors at the place where the annual or special meeting of the Member was held. Notice of such meeting need not be given. If such meeting is to be held at any other time or place, notice thereof shall be given as provided in Article V, Section 2 for special meetings of the Board of Directors.

Section 5. Special Meetings of the Member. Special meetings of the Member shall be held whenever called by the Board of Directors of the Corporation, or by written demand of the Member.

Section 6. Action Without a Meeting. 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 actions so taken shall be signed by the Member, and filed with the Secretary of the Corporation.

Section 7. Notice of Meetings: Participation by Conference Telephone.

A. Unless otherwise provided in these Bylaws, whenever written notice is required to be given to the Member under the provisions of the Articles of Incorporation, these Bylaws, or the PNCL, it may be given by sending a copy thereof first class mail, postage prepaid, by personal delivery, or in the case of notices other than notices of meetings, by telecopy with confirmed receipt to the address of the Member appearing on the books of the Corporation. If the notice is sent by mail, it shall be deemed to have been given to the Member entitled thereto when deposited in the United States. A notice of meeting shall specify the place, day and hour of the meeting and any other information required by law or these Bylaws, and, unless the meeting is an annual meeting, shall indicate that the notice is being issued by or at the direction of the person(s) calling the meeting. Notice of each meeting of the Member shall be given not less than five days before the date of the meeting, except in the case where fundamental changes to the Corporation under Chapter 59 of the PNCL will be considered, in which case such notice shall be given not less than ten days before the date of the meeting. Every such notice shall state the date, time and place of the meeting, and notices of special meetings of the Member shall also set forth the general nature of the business to be conducted at such meeting.

B. When a meeting is adjourned, it shall not be necessary to give any notice of the adjourned meeting and of the business to be transacted at an adjourned meeting in accordance with the provisions of this Article III, Section 7 if the day, time and place to which the meeting is adjourned is announced at the meeting at which the adjournment is taken.

C. Whenever notice of a meeting is required, such notice need not be given to the Member if a written waiver of notice executed by the Member is filed with the records of the Corporation. Attendance by the Member at any meeting of the Member shall constitute a waiver by the Member of notice of such meeting, except where the Member attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

D. One or more persons may participate in a meeting of the Member by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

Section 8. Resolutions. Whenever the language of a proposed resolution is included in a written notice of a meeting of the Member, the meeting considering the resolution may without further notice adopt it with such clarifying or other amendments as do not enlarge its original purpose.

Section 9. Additional Members. Notwithstanding anything herein to the contrary, upon the occurrence of a Triggering Event (as defined below), then effective immediately and automatically upon the occurrence of such Triggering Event and without further action by the Member, the voting members of the Corporation shall include, in addition to the Member identified in Section 1 of this Article III hereof, all of the then-current members of the Board of Directors of the Corporation, and any reference in these bylaws to "the Member" shall be deemed to be a reference to "the Members" as identified in this Article III, Section 9, each of whom shall have one vote, and all of whom together shall have the authority that, but for operation of this Article III, Section 9, would be vested in the Member. From and after the occurrence of a Triggering Event, (i) a majority of the Members shall constitute a quorum at any meeting of the Members and (ii) the affirmative vote of two-thirds (or greater) of the whole number of Members shall be required to approve any matter to be voted on by the Members. For purposes of this Section, "Triggering Event" shall mean any of the following occurrences:

(1) a Final Determination (as defined below) shall have been entered denying the Member's application for recognition as an Exempt Organization (as defined below) or revoking the Member's status as an Exempt Organization;

(2) the Member shall have taken all corporate action necessary to approve (x) the dissolution of the Member or (y) the filing by the Member of a voluntary petition in bankruptcy;

(3) the Member shall have admitted in writing its inability to pay its debts as they come due; or

(4) an involuntary petition for the dissolution and winding up of the Member shall have been filed, which such petition is not dismissed within 60 days of the filing thereof.

"Final Determination" shall mean a decision, judgment, decree or other order by the Internal Revenue Service or a court of competent jurisdiction which is final and unappealable, or which has become unappealable because the time for instituting an appeal has expired. "Exempt Organization" shall mean an organization exempt from federal income taxation pursuant to Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code. Notwithstanding anything herein to the contrary, amendment of this Section 9 shall require approval of both the Member and at least two-thirds of the entire Board of Directors of the Corporation.

Section 10. Operating Reports. The Board of Directors of the Corporation shall submit operating reports to the Member in such form and on such schedule as shall be established by the Member. Such operating reports shall reflect the results of operations of the Corporation and of any affiliates of the Corporation that are controlled by the Corporation.

ARTICLE IV

THE BOARD OF DIRECTORS

Section 1. Powers and Responsibility. Subject to Article III hereof and to the other rights and powers of the Member specified herein or in the Articles of Incorporation or otherwise provided hereby or in the Articles of Incorporation or by law, the Board of Directors shall have charge, control, and management of the administrative affairs, property and funds of the Corporation and shall have the power and authority to do and perform all acts and functions not inconsistent with these Bylaws, the Articles of Incorporation, and applicable law, in each case as amended from time to time. Such responsibility shall include without limitation: implementation of any operational or financial plan adopted by the Member and institutional management and planning. Without limiting the generality of the foregoing, the Board of Directors shall have power and authority to, and shall be responsible to, establish and manage the Corporation's program for compliance with all legal requirements applicable to the Corporation. The Board of Directors shall also prepare, for the Member's review and approval, on such timetable as the Member shall establish, proposed annual budgets for the Corporation, which budgets shall be consistent with any operating plan or financial plan adopted or approved by the Member and then in effect.

Section 2. Composition of the Board; Appointment Qualifications. The Board of Directors shall be composed of not fewer than three nor more than twenty voting members, exclusive of non-voting *ex officio* Directors. The exact number of voting Directors shall be as fixed from time to time by the Member, except that as of the date of adoption of these bylaws, the Board of Directors of the Corporation shall be comprised of three members as identified on Exhibit A hereto, each having the term identified for such individual on Exhibit A hereto. Directors shall generally be appointed at the annual meeting of the Member, but may be appointed at any regular or special meeting of the Member; provided that, except for the *ex officio* Directors specified in Section 4 of this Article IV, the Board of Directors shall not include any full-time employees of the Member or of the Corporation. Each Director of the Corporation shall be a natural person of at least eighteen years of age, of good moral character

and who enjoys a good reputation in the community, and who, by his or her experience, community interest, or prior action, demonstrates a willingness to devote time and talent to the affairs of the Corporation and to exercise his or her judgment with undivided loyalty to the Corporation. Each Director shall further satisfy the requirements set forth in Section 9 of this Article IV.

Section 3. Term of Office. Subject to Section 5 of this Article IV, Directors, other than *ex officio* Directors, shall serve for one, two, or three year terms, as specified by the Member. In the event that the Member elects to classify the Board of Directors for purposes of staggering their respective terms of office, then the number of Directors assigned to each class shall be as nearly equal as possible to those assigned to each other class. Each Director shall retain his or her position as Director until his or her successor shall be duly appointed and qualified or until his or her earlier death, resignation or removal, except that an *ex officio* Director shall retain his or her position as Director only during his or her tenure in the position from which his or her respective *ex officio* status is derived, or until his or her earlier death, resignation, or removal. Directors may be re-elected for unlimited successor terms.

Section 4. Ex Officio Directors. From and after February 1, 2000, the following persons shall serve as *ex officio* Directors of the Corporation with vote:

- (1) President and Chief Executive Officer of the Member; and
- (2) President and Chief Executive Officer of the Corporation.

In the event that any individual holds multiple *ex officio* positions s/he shall have one vote.

Section 5. Removal, Resignation, Vacancies.

A. The Member may, in its discretion, remove any Director at any time, with or without cause, upon 10 days prior notice to the Board of Directors. Without limiting the generality of the foregoing, upon such notice the Member may, in its discretion, remove and replace all or a portion of the Board of Directors if the Member determines that the Corporation has failed to comply with any operating or financial plan adopted or approved by the Member. Unless such removal notice is revoked by the Member during the 10 day notice period, any such removal shall be effective immediately upon expiration of the notice period.

B. Any Director may resign from office with or without cause, by delivering a written statement of resignation to the Secretary of the Corporation. Any such resignation shall take effect immediately upon its receipt by the Secretary of the Corporation, unless a later effective time or date for the resignation is specified in the notice of resignation.

C. Any person appointed to fill a vacancy on the Board of Directors shall be appointed for the unexpired term of the Director whose death, resignation, or removal gave rise to the applicable vacancy.

Section 6. Orientation of Directors. Newly elected or appointed Directors shall be oriented to the functions and procedures of the Board of Directors. Such orientation shall be carried out under the supervision of the President and Chief Executive Officer.

Section 7. No Compensation. No Director shall receive any compensation for acting as a Director. Directors who are officers or employees of the Corporation may receive compensation for those duties.

Section 8. Review of Bylaws. The Board of Directors shall review these Bylaws of the Corporation annually, and based on such review, may propose amendments to these Bylaws to the Member of the Corporation.

Section 9. Conflict of Interest. Directors shall exercise good faith in all transactions touching upon their duties at the Corporation and its property. No director shall use his or her position, or knowledge gained therefrom, in any way that might give rise to a conflict between the interest of the Corporation and that of the individual Director. The Board of Directors shall adopt a conflict of interest policy, and each Director and officer of the Corporation shall agree in writing to be bound thereby as a prerequisite to his or her qualification as a Director or officer, as the case may be.

ARTICLE V

MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Regular and Annual Meetings of the Board of Directors. The Board of Directors shall hold regular meetings at such time and place as determined by the Board or the Chair; provided that the Board shall meet not less than four times per year. The Annual Meeting shall be held as provided in Article III, Section 4 of these Bylaws. Notice of any meeting shall be mailed, personally delivered or faxed to each Director at least 5 days prior to the meeting to the Director's address (or fax number) on the books of the Corporation. Voting by proxy shall not be permitted at any meeting.

Section 2. Special Meetings. Special meetings may be held at any time upon call of the Member or the Chair or upon receipt by the President and Chief Executive Officer of the written request of at least three Directors.

Section 3. Quorum. A majority of the entire Board of Directors (without counting non-voting *ex officio* Directors) shall constitute a quorum at any regular meeting. Once a quorum is established, subsequent withdrawal of individuals to less than a quorum shall not affect the validity of any subsequent action taken at the meeting. Except as otherwise required by the PNCL, approval of any matter before the Board of Directors by a majority of the Directors present at a meeting shall constitute approval of the applicable matter by the Board.

Section 4. Action Without a Meeting. Any action which may be taken at a meeting of the Board or any committee thereof may be taken without a meeting if consent in writing

setting forth such action is signed by all of the Directors or members of the committee, and is filed in the minutes of the proceedings of the Board or of the committee.

Section 5. Rules of Conduct. Meetings of the Board of Directors and Committees of the Board of Directors will be conducted in accordance with such rules as may be established by the Board of Directors.

Section 6. Participation by Conference Telephone. One or more Directors or members of a Committee established pursuant hereto may participate in a meeting of the Board of Directors or such Committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

Section 7. Waiver of Notice. Whenever any written notice is required to be given under the provisions of these bylaws or the PNCL, such notice need not be given to any Director who submits a signed waiver of notice whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such Director.

ARTICLE VI

OFFICERS

Section 1. Officers Generally. The officers shall be a Chair, a Vice-Chair, a Secretary, a Treasurer, a President and Chief Executive Officer, and such Vice Presidents and other subordinate officers as the Member shall designate. The Chair, Vice Chair, Secretary, and Treasurer shall be appointed from among the elected (*i.e.*, *non-ex officio*) members of the Board of Directors. All other officers need not, but may, be selected from among such elected members of the Board of Directors. No full-time employee of the Member or of the Corporation shall be eligible to serve as Chair or Vice Chair of the Corporation.

Section 2. Appointment of Officers. The officers shall be appointed by the Member, after consultation with the Board of Directors of the Corporation, at the Annual Meeting of the Member each year and shall hold office for terms of one year and until their successors are duly installed, subject in each case to an officer's earlier death, resignation or removal. Vacancies in any office may be filled by action of the Member after consultation with the Board of Directors of the Corporation. So long as the Member is the sole Member of the Corporation, no full-time employee of the Member or of the Corporation shall be eligible to serve as Chair or Vice Chair of the Corporation. Further, the Chair shall be appointed from among individuals who also serve on the Member's Board of Directors. Nothing contained herein shall be construed as prejudicing any officer's rights with respect to compensation under any employment agreement with the Corporation.

Section 3. Chair. The Chair shall preside at all meetings of the Board of Directors, and at the Annual Meeting of the Member each year shall present the report of the Board of Directors. The Chair shall be responsible to review the performance of the Board of Directors on an annual basis, and to report on such performance to the Member. The Chair shall have such authority, and shall perform all duties, ordinarily required of an officer in like position, and such other authority and duties as may be assigned by the Member.

Section 4. President and Chief Executive Officer. The President and Chief Executive Officer of the Corporation shall be an *ex officio* member of the Board. The President and Chief Executive Officer shall have all authority and responsibility necessary to operate the Corporation in all its activities, subject, however, to the policies and directives of the Member and of the Board of Directors with regard to the matters as to which the Board of Directors is responsible, and to the provisions of the Corporation's Articles of Incorporation and Bylaws.

Section 5. Vice Chair. The Vice-Chair shall perform the duties of the Chair when for any reason the Chair is unable to perform the same.

Section 6. Secretary. The Secretary shall keep and properly record the minutes of the proceedings of the Board of Directors, notify officers of their election and committee members of their appointment, give notice of all meetings of the Board of Directors and the Executive Committee, have custody of the corporate seal and of all books and papers pertaining to the office, and generally shall have such authority, and shall perform all duties, ordinarily required of an officer in like position.

Section 7. Treasurer. The Treasurer shall receive and have custody of all funds, money, and income of the Corporation not otherwise specifically provided for by the Member and shall deposit the same in such depository or depositories as the Board shall designate. The Treasurer shall have such authority, and shall perform all duties, ordinarily required of an officer in like position, and such other authority and duties as may be assigned by the Member.

Section 8. Resignation. Any officer may resign at any time by giving written notice thereof to the Chair, the President and Chief Executive Officer or the Secretary of the Corporation. Any such resignation shall take effect on the date of receipt of such notice by one of the above-specified officers, or at such later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 9. Removal. Any officer of the Corporation may be removed, with or without cause, by the Member whenever in the judgment of the Member the best interests of the Corporation will be served thereby. Nothing contained herein shall be construed as prejudicing any officer's rights with respect to compensation under any employment agreement with the Corporation.

ARTICLE VII

COMMITTEES OF THE BOARD OF DIRECTORS

Section 1. Committees Generally. The Directors, upon direction of the Member, shall establish the following committees, and, upon the approval of the Member, may establish such other committees (standing or special) as the Board of Directors shall determine to establish, with such authority and composition as the Board of Directors shall determine (subject only to the rights and powers of the Members as set forth in the PNCL, the Articles of Incorporation, and these Bylaws, and the limitations or delegation of the Board's authority pursuant to the PNCL):

- A. Executive Committee
- B. Finance Committee
- C. Strategic Planning and Capital Development Committee
- D. Audit Committee

Section 2. Powers of the Executive Committee. From and after its establishment, the Executive Committee shall have and may exercise the powers of the Board of Directors in the management of the business affairs of the Corporation, except that the Executive Committee shall not have authority with respect to any of the following matters:

- A. The submission to the Member of any action requiring approval of the Member;
 - B. Amending or repealing any resolution of the Board of Directors;
- or
- C. Approving any matters which pursuant to the Bylaws or resolution of the Board of Directors is reserved to another established committee of the Board.

Section 3. Finance Committee. From and after its establishment, this Committee shall review and recommend to the Board of Directors the annual budget to be proposed to the Member, establish and review periodic budgetary reports and meet with the Corporation's independent auditors following receipt of the annual audit. This Committee shall also review and recommend the financial plan of the Corporation. This Committee shall meet at least quarterly to review the budget and financial performance of the Corporation and its affiliates, and to review and recommend approval or disapproval of any proposed unbudgeted expenditures by the Corporation where the cumulative amount of such unbudgeted expenditures is in excess of the amount fixed from time to time by the Member.

Section 4. Strategic Planning and Capital Development Committee. From and after its establishment, this Committee shall propose long range plans for the Corporation for the consideration of the Member, with the goal of constantly improving services, facilities and

programs. These plans shall be periodically reviewed and revised by the Committee, and shall be subject to approval by the Member.

Section 5. Audit Committee. From and after its establishment, this Committee shall cause to be audited the accounts of the Treasurer and of the Corporation at the close of each year prior to the annual meeting of the Corporation, shall render a full report to the Member at its annual meeting, and shall have such other responsibilities and authority as designated by the Board in a resolution.

Section 6. Appointment of Committees. The members of any standing or special Committee shall be appointed by the Board. Each Committee shall include at least three Directors, including *ex officio* members. The Chair and the President and Chief Executive Officer shall be *ex officio* members of all committees with full voting privileges. Each other member of a committee shall serve for a term of one year and until his or her successor has been appointed, subject to his or her earlier death, resignation or removal.

Section 7. Meetings of Committees. All standing Committees shall function under the direction of the Board of Directors and shall meet as often as necessary to transact their business and shall make such reports as they may deem necessary or which may be specifically required of them. Minutes shall be kept of each meeting of each Committee and such minutes shall be disseminated to all members of the Board of Directors, and to the Member.

Section 8. Quorum: Act of Committee. A majority of the members of a Committee shall constitute a quorum for the transaction of business. Once a quorum has been established, subsequent withdrawal of committee members so as to reduce the number of members present to less than a quorum shall not affect the validity of any subsequent action taken at the meeting. Approval of any matter before any Committee by a majority of those present at a meeting of a Committee where a quorum is present shall constitute approval of the applicable matter by the applicable Committee.

Section 9. Resignation. Any Committee member may resign at any time by giving written notice thereof to the Chair, the President and Chief Executive Officer or the Secretary of the Corporation. Any such resignation shall take effect on the date of receipt of such notice by one of the above-specified officers, or at such later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 10. Removal. Any Committee member may be removed, with or without cause, by the Board or the Member whenever in the judgment of the Board or the Member the best interests of the Corporation will be served thereby, provided that if any Committee member is removed by the Member, at least 10 days advance notice of such removal shall be given by the Member to the Board of Directors.

ARTICLE VIII

FISCAL YEAR AND ANNUAL REPORT

Section 1. Fiscal Year. The Fiscal Year of the Corporation shall be begin on the first day of July of each year and end on the last day of June of the succeeding year.

Section 2. Annual Report. As soon as may be convenient following the close of the Fiscal Year, the Board of Directors may cause to be published for general distribution an Annual Report containing such information regarding the work and affairs of the Hospital for the preceding Fiscal Year as in their discretion may be deemed advisable.

ARTICLE IX

SEAL

Section 1. Seal. The seal of the Corporation shall be in such form as may be approved by the Board of Directors.

ARTICLE X

LIABILITY OF DIRECTORS

Section 1. Standard of Care and Fiduciary Duty. Each Director 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 upon which the Director may serve, in good faith, in a manner the Director 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, each 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; and
- (c) a committee of the Board of this Corporation upon which the Director does not serve, 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 the Director has knowledge concerning the matter in question that would cause his reliance to be unwarranted.

Section 2. Limitation on Liability. Neither the Member nor any Director of the Corporation shall be personally liable for monetary damages for any action taken, or any failure to take any action, provided however, that this provision shall not eliminate or limit the liability of the Member or any Director to the extent that such elimination or limitation of liability is expressly prohibited by, Section 5713 of the PNCL, as in effect at the time of the alleged action or failure to take action by such Member or Director.

Section 3. Preservation of Rights. Any repeal or modification of this Article shall not adversely affect any right or protection existing at the time of such repeal or modification to which any Member, Director or former Member or Director may be entitled under this Article. The rights conferred by this Article shall continue as to any person who has ceased to be the Member or a Director of the Corporation and shall inure to the benefit of the successors, heirs, executors, and administrators of such person.

ARTICLE XI

INDEMNIFICATION

Section 1. Mandatory Indemnification of Directors and Officers. The Corporation shall indemnify, to the fullest extent now or hereafter permitted by law, each Director and officer (including each former Director or officer) of the Corporation who was or is or is threatened to be made a party to or a witness in any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that the Director or officer is or was an authorized representative of the Corporation, or is or was serving at the written request of the Corporation as a representative of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust or other enterprise, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the Director or officer in connection with such action, suit or proceeding if such Director or officer acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interest of the Corporation and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Section 2. Mandatory Advancement of Expenses to Directors and Officers. The Corporation shall pay expenses (including attorneys' fees) incurred by a Director or officer of the Corporation referred to in Section 1 of this Article XI in defending or appearing as a witness in any civil or criminal action, suit or proceeding described in Section 1 of this Article XI in advance of the final disposition of such action, suit or proceeding. The expenses incurred by such Director or officer shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding only upon receipt of an undertaking by or on behalf of such Director or officer to repay all amounts advanced if it shall ultimately be determined that the Director or officer is not entitled to be indemnified by the Corporation as provided in Section 4 of this Article XI.

Section 3. Permissive Indemnification and Advancement of Expenses. The Corporation may, as determined by the Board of Directors from time to time, indemnify, in full or in part, to the fullest extent now or hereafter permitted by law, any person who was or is or is threatened to be made a party to or a witness in, or is otherwise involved in, any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was an authorized representative of the Corporation or is or was serving at the request of the Corporation as a representative of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust or other enterprise, both as to action in his official capacity and as to action in another capacity while holding such office or position, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in conjunction with such action, suit or proceeding if such person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interest of the Corporation and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The Corporation may, as determined by the Board of Directors from time to time, pay expenses incurred by any such person by reason of such person's participation in an action, suit or proceeding referred to in this Section 3 in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as provided in Section 4 of this Article XI.

Section 4. Scope of Indemnification. Indemnification under this Article shall not be made by the Corporation in any case where a court determines that the alleged act or failure to act giving rise to the claim for indemnification is expressly prohibited by Chapter 57, Subchapter D of the PNCL or any successor statute as in effect at the time of such alleged action or failure to take action.

Section 5. Miscellaneous. Each Director and officer of the Corporation shall be deemed to act in such capacity in reliance upon such rights of indemnification and advancement of expenses as are provided in this Article. The rights of indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which any person seeking indemnification or advancement of expenses may be entitled under any agreement, vote of members (if any), disinterested Directors, statute or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office or position, and shall continue as to a person who has ceased to be an authorized representative of the Corporation and shall inure to the benefit of the heirs, executors and administrators of such person. Any repeal or modification of this Article by the members (if any) or the Board of Directors of the Corporation shall not adversely affect any right or protection existing at the time of such appeal or modification to which any person may be entitled under this Article.

Section 6. Definition of Authorized Representative. For the purposes of this Article, the term, "authorized representative" shall mean a director, officer (including a former director or officer), or employee of the Corporation or of any corporation controlled by the Corporation,

or a trustee, custodian, administrator, committeeman or fiduciary of any employee benefit plan established and maintained by the Corporation or by any corporation controlled by the Corporation, or person serving another corporation, partnership, joint venture, trust or other enterprise in any of the foregoing capacities at the written request of the Corporation. The term "authorized representative" shall not include money managers or investment advisors (or any employees thereof) hired by the Corporation, and shall not include agents of the Corporation unless indemnification thereof is expressly approved by the Board of Directors.

Section 7. Funding to Meet Indemnification Obligations. Subject to the approval of the Member, the Board of Directors shall have the power to borrow money on behalf of the Corporation, including the power to pledge the assets of the Corporation, from time to time to discharge the Corporation's obligations with respect to indemnification, the advancement and reimbursement of expenses, and the purchase and maintenance of insurance for the benefit of the Corporation and any person indemnified pursuant hereto. Upon the approval of the Member, the Corporation may, in lieu of or in addition to the purchase and maintenance of insurance, establish and maintain a fund of any nature or otherwise secure or insure in any manner its indemnification obligations, whether arising pursuant to this Article or otherwise.

ARTICLE XII

AMENDMENTS OF THESE BYLAWS AND/OR THE ARTICLES OF INCORPORATION OF THE CORPORATION

The power to amend, modify, alter or repeal these Bylaws or the Articles of Incorporation, is hereby exclusively vested in the Member of the Corporation subject, however, to Section 9 of Article III, and with respect to amendments of the following provisions in the bylaws and Articles of Incorporation of the Corporation, subject to prior notice to the Attorney General and the prior approval of the Orphans' Court: (i) provisions setting forth the purposes of the Corporation; (ii) provisions setting forth the powers reserved exclusively to the Member; (iii) provisions describing the manner in which the assets of the Corporation are to be distributed upon termination, dissolution or winding up of the Corporation; and (iv) provisions requiring notice to the Attorney General or approval of the Orphans' Court prior to the taking of certain action by the Corporation.

ARTICLE XIII

SUBVENTIONS

The Corporation shall be authorized by resolution of the Board of Directors or the Member to accept subventions from the Member or nonmembers on terms and conditions not inconsistent with PNCL § 5542, and to issue certificates therefor. The resolution of the Board of Directors or the Member may provide that the holders of subvention certificates shall be entitled to a fixed or contingent periodic payment out of the corporate assets equal to a percentage of the original amount or value of the subvention. The rights of holders of subvention certificates shall at all times be subordinate to the rights of creditors of the Corporation.

* * * *

EXHIBIT A

Name

Term

Concetta Cibrone
Andrew Thurman
Barry Roth

Term Expires 6/2000
Term Expires 6/2000
Term Expires 6/2000

Ex 3

Allegheny Medical Practice Network
EIN: 25-1838457

Attachment #3

Part II, Question 1: Activities and Operational Information

I. Introduction

Allegheny Medical Practice Network (the "Applicant") is a Pennsylvania non-profit and non-stock corporation that was formed on June 16, 1999 to operate a network of community-based primary and specialty health care sites for the public in western Pennsylvania. The Applicant's network will supplement the acute care and other inpatient and outpatient services provided by other entities that are members of the charitable, educational and scientific integrated delivery system described below.

II. Background

The Applicant is a part of a multi-entity, academic health care system based in and serving the communities of western Pennsylvania. The parent of the system currently is The Healthcare Alliance For Western Pennsylvania, Inc. (hereinafter "HAWP"), which also is a newly-formed corporation. HAWP was formed to provide or cause the provision of fiscal management, strategic planning, external affairs/community relations, legal affairs, risk management, group purchasing, management information services and personnel recruitment and development services to the operating members of its system such as the Applicant. The other members of HAWP's system are Allegheny General Hospital, which operates a world-renowned teaching hospital in Pittsburgh ("AGH"); Allegheny University Medical Centers, which operates hospitals, a skilled nursing facility and a hospice in the communities surrounding Pittsburgh ("AUMC"); AUMC-Canonsburg, which operates a hospital in Canonsburg, Pennsylvania; Allegheny Singer Research Institute ("ASRI"), a medical and scientific research institute based in Pittsburgh; and Allegheny Specialty Practice Network ("ASPN"), a newly-formed, non-profit corporation that will provide clinical and teaching services to hospitals that are members of HAWP's system. AGH, AUMC, AUMC-Canonsburg and ASRI currently are Section 501(c)(3)¹ organizations and public charities. ASPN is simultaneously submitting an application for recognition of Section 501(c)(3) and public charity status.

As described in greater detail below, on or about January 31, 2000 the Applicant and the other members of the HAWP system are expected to become members of a new system under a new common parent called West Penn Allegheny Health System, Inc. ("WPAHS"). HAWP and WPAHS were formed as a result of the bankruptcy of Allegheny Health, Education and Research Foundation ("AHERF"). AHERF was the sole corporate member of a group of hospitals and health-care organizations that primarily served western Pennsylvania, including AGH and AUMC. AHERF also was the sole corporate member of several other hospitals and health-care organizations that primarily

¹ All Section references herein are to the Code.

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served Philadelphia and other eastern Pennsylvania communities (collectively, such other hospitals and health-care organizations will be referred to as the "AUH-East Group").

AHERF and the AUH-East Group (but not AGH, AUMC, AUMC-Canonsburg or ASRI) filed for bankruptcy protection on July 21, 1998. Extensive litigation followed concerning, among other things, the fate of AGH, AUMC, AUMC-Canonsburg and ASRI and potential claims of the official committee of unsecured creditors of AHERF and the AUH-East Group (the "Creditors' Committee") against AGH, AUMC, AUMC-Canonsburg and ASRI. The Western Pennsylvania Healthcare System, Inc. ("WestPenn"), the supporting organization for a health-care system consisting of The Western Pennsylvania Hospital and Suburban General Hospital (collectively, WestPenn, WPH and Suburban being referred to herein as the "WestPenn System"), made a proposal to AGH, AUMC, AUMC-Canonsburg and ASRI, the trustee for the bankruptcy estates of AHERF and the AUH-East Group (the "Trustee") and the Creditors' Committee that was designed to allow (i) AGH, AUMC and ASRI to separate from AHERF and remain viable institutions, (ii) ASPN and the Applicant to incorporate, acquire certain assets owned by members of the AUH-East Group and operate independently of AHERF and (iii) the satisfaction and release of certain claims of the Creditors' Committee, the Trustee and the estates of the AUH-East Group against AGH, AUMC and AUMC-Canonsburg.

The WestPenn proposal contemplated (i) causing AGH, AUMC and ASRI to be temporarily reorganized under a newly-formed, Pennsylvania not-for-profit corporation called The Healthcare Alliance For Western Pennsylvania, Inc. ("HAWP"), (ii) causing the Applicant and ASPN to be incorporated and causing HAWP temporarily to become their sole corporate member (collectively, the temporary system consisting of HAWP, AGH, AUMC (and AUMC-Canonsburg), ASRI, ASPN and the Applicant will be referred to as the "HAWP System") and (iii) the WestPenn System's arranging for financing that would help the HAWP System become independent of AHERF. Ultimately, assuming that the HAWP System gave indications of viability independent of AHERF, the joining of the HAWP System and the WestPenn System through formation of WPAHS, which would replace HAWP as the sole member of the organizations in the HAWP System and which would become the sole member of WPH and Suburban, was also contemplated.

In furtherance of the WestPenn proposal, the following steps have taken place:

- HAWP was formed in June, 1999;
- pursuant to an affiliation agreement whose parties included HAWP, AGH, AUMC, AUMC-Canonsburg and ASRI (the "Affiliation Agreement"), those Supported Organizations amended their by-laws

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and/or articles of incorporation, as necessary, to make HAWP their sole corporate member;

- the Applicant and ASPN were formed in June, 1999 and HAWP became their sole corporate member;
- HAWP was capitalized with a \$25,000,000 subvention from WPH;
- pursuant to a settlement agreement among HAWP, the Trustee, the Creditors' Committee and certain other persons (the "Settlement Agreement"), HAWP paid \$25,000,000 in cash to the bankruptcy estates of AHERF and the AUH-East Group in exchange for, among other things, (i) certain assets of Allegheny University Medical Practices ("AUMP") and Allegheny University of the Health Sciences ("AUHS"), both part of the AUH-East Group, and (ii) satisfaction and release of various claims asserted by the Creditors' Committee, the Trustee and the estates of AHERF and the AUH-East Group against AGH, AUMC, AUMC-Canonsburg and ASRI;
- AUHS transferred its research activities to ASRI;
- the WestPenn System arranged, on an arm's-length basis, commercially reasonable financing for the HAWP System of approximately \$125,000,000 from Highmark Blue Cross Blue Shield ("Highmark"), a Blue Cross-Blue Shield organization that serves the Region, to provide working capital to the HAWP System; and
- WPH entered into management contracts with AGH and AUMC.

By November, 1999, it was determined that the newly-independent HAWP System was demonstrating sufficient viability so that it could prudently become linked with the WestPenn System. Accordingly, the following steps have occurred and are proposed:

- WPAHS was formed on November 12, 1999;
- pursuant to a membership withdrawal agreement between WPAHS and HAWP (the "Membership Withdrawal Agreement"), WPAHS will become the sole corporate member of AGH, AUMC, ASRI, the Applicant and ASPN at the time of the bond offering described below; and

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- pursuant to a governance authority surrender agreement between WPAHS and WestPenn, WPAHS will become the sole corporate member of WPH and Suburban at the time of the bond offering described below;
- WestPenn will transfer the stock of MSO to WPAHS at the time of the bond offering described below and
- on or about January 31, 2000, WPAHS will become the beneficiary of approximately \$450 million in tax-exempt bonds to be issued by the Allegheny County Hospital Development Authority, the proceeds of which will be used to support the ongoing activities of the WPAHS system.

A copy of the Settlement Agreement is attached as Attachment #4. A copy of the Affiliation Agreement is attached as Attachment #5. The voluminous schedules to the Settlement Agreement and the Affiliation Agreement have been omitted because they generally provide information that either would not appear to be relevant to this application or is redundant to information provided elsewhere in this application. A copy of the proposed form of the Membership Withdrawal Agreement is attached as Attachment #6. Copies of proposed form of the by-law of the Applicant and the other Supported Organizations following the effective date of the Membership Withdrawal Agreement are included as Exhibit A to the Membership Withdrawal Agreement.

III. The Applicant's Activities

A. General Overview

The Applicant will operate a network of primary and specialty care sites as a charitable activity in furtherance of the health care goals of WPAHS's system. These activities will benefit WPAHS's system and the communities served in the following ways:

- expanding and enhancing access by the public to primary care medical services;
- providing high quality, affordable, cost-efficient health care services to the public;
- reducing operating costs by eliminating administrative duplication;
- enhancing efficiency, quality of care, and continuity of care by integrating inpatient and outpatient health care services;

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- enriching the educational experience for medical students and residents in the WPAHS system by providing in-depth primary care experiences;
- broadening the medical research opportunities for WPAHS's system and communities it serves.

B. The Applicant's Physicians

At each site of the Applicant's sites, one or more primary care or specialty care physicians will render medical services to the general public. All of the Applicant's physicians will be employees of the Applicant. Initially, all of the Applicant's physicians will be former employees of AUMP or AUHS, each of which is a Section 501(c)(3) organization. Pursuant to the Settlement Agreement, AUMP and AUHS conveyed to HAWP, which will reconvey to the Applicant or ASPN, as appropriate prior to the closing of the WPAHS bond offering, all assets necessary to operate the sites: physician employment contracts (referred to in the Settlement Agreement as the "Assigned AUMP Physician Agreements" and the "Assigned AUHS Physician Agreements") and related real and personal property (referred to in the Settlement Agreement as the "Assigned AUHS/AUMP Balance Sheet Assets;" the "Intellectual Properties;" the "Assigned AUMP Real Property Leases;" the "Assigned AUHS Real Property Leases;" the "Assigned AUMP Personal Property Leases;" the "Assigned AUHS Personal Property Leases;" the "Conveyed AUMP Real Property;" the "Conveyed AUHS Real Property;" the "AUMP Books and Records;" the "AUHS Books and Records;" and all cash representing "Restricted Investment Earnings").²

C. Physician Compensation Arrangements

The terms of compensation to be paid to the Applicant's physicians will be set forth in each physician's employment agreement. The Applicant's board of directors will ensure that compensation to be paid to any particular physician is reasonable, considering all relevant factors. The Applicant, as well as all of the other entities within the WPAHS system, will regularly review employee compensation arrangements, including arrangements with physicians. Participants in the review will be exclusively non-employee Board members. Those reviews will be designed to ensure that compensation arrangements are arrived at on an arm's length basis, are reasonable, promote efficiency, advance the Applicant's charitable, educational and scientific purpose, and are otherwise consistent with applicable requirements of the Code.

² Schedules identifying the foregoing assets are included with Exhibit 4.

IV. Primary and Specialty Care Site Operations

Upon the Applicant's acquisition of a practice (including the practices that it will succeed to through the assignments from AUMP and AUHS described above), all non-clinical aspects of such practice thereafter will be operated by the Applicant. Thus, all technical and nontechnical support staff required to operate the sites will be employed or engaged by the Applicant. The Applicant will bill all patients and third party payors for services rendered at the sites and the Applicant will negotiate managed care and other contracts with payors. Initially, approximately 30% of the fees generated at the Applicant's sites are expected to represent capitated contracts; the balance is expected to be from fee for service arrangements. The Applicant expects that the percentage of capitated fees will grow steadily.

Charges for Applicant's medical services generally will be based on a percentage of the Medicare rate or Blue Shield rate, and will be calculated by the Applicant on a basis intended to cover its costs, to provide working capital for ongoing operations of the Applicant, and to enable the Applicant to provide charitable services. Charges will reflect current standards within the western Pennsylvania community. Physicians providing services at the Applicant's medical care practice sites will be required to participate in and to accept Medicare and Medicaid patients.

WPAHS, in its capacity as the Applicant's sole member, will conduct negotiations with managed care entities and insurance companies on behalf of the Applicant. (See the Applicant's By-Laws, Article III, Section 2(A)(13).) It is this consolidated function that is expected to enable WPAHS to offer, negotiate and accept global fees in the marketplace for its own institutions and employed providers.

V. The Applicant's Qualification for Section 501(c)(3) Status

In order to qualify for exemption under Section 501(c)(3) as a "charitable" organization, the Applicant must be "organized" and "operated" exclusively for charitable purposes. Treas. Reg. § 1.501(c)(3)-1(a). As demonstrated below, the Applicant satisfies both tests.

A. The Applicant Satisfies the "Organized" Test

Pursuant to Treas. Reg. § 1.501(c)(3)-1(b), the Applicant will be regarded as "organized exclusively" for Section 501(c)(3) purposes if its Articles of Incorporation:

- (a) limit the Applicant's purposes to one or more Section 501(c)(3) purposes;

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(b) do not expressly empower the Applicant to engage -- other than as an insubstantial part of its activities -- in activities not in furtherance of its Section 501(c)(3) purposes;

(c) do not expressly empower the Applicant to devote more than an insubstantial part of its activities to attempting to influence legislation by propaganda or otherwise;

(d) do not expressly empower the Applicant to directly or indirectly participate in, or intervene in, any political campaign on behalf of or in opposition to a candidate for public office; and

(e) do not expressly empower the Applicant to have objectives and to engage in activities that characterize it as an "action organization" within the meaning of Treas. Reg. § 1.501(c)(3)-1(c)(3); and

(f) require the Applicant's assets to be distributed on dissolution for one or more Section 501(c)(3) purposes.

All of these standards are satisfied by the provisions of Applicant's Articles of Incorporation (see Attachments #1 and #2), thereby assuring that Applicant is "organized" exclusively for charitable, educational, and scientific purposes within the meaning of Section 501(c)(3).

B. The Applicant Satisfies the "Operated" Test

Pursuant to Treasury Regulation § 1.501(c)(3)-1(c), the Applicant will be regarded as "operated exclusively" for Section 501(c)(3) purposes if:

(a) the Applicant engages primarily in activities in furtherance of Section 501(c)(3) purposes;

(b) the Applicant does not permit its net earnings to "inure" to the benefit of private shareholders or individuals; and

(c) the Applicant is not an "action organization" (*i.e.*, it does not engage to a substantial extent in influencing legislation, and does not participate or intervene in political campaigns).

As is described in more detail below, the Applicant will engage primarily in charitable activities. Moreover, the Applicant's Articles of Incorporation prohibit it from

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allowing its net earnings to inure in whole or in part to the benefit of private parties, or from engaging in activities which would qualify it as an "action organization. Accordingly, the Applicant is "operated exclusively" for Section 501(c)(3) purposes.

In numerous private letter rulings issued over the past few years to such organizations as Friendly Hills Healthcare Network, Facey Medical Foundation, and Harriman Jones Medical Foundation (referred to herein not as precedents but for their relevant guidance on these issues), the Internal Revenue Service has approved tax-exempt status under Section 501(c)(3) for integrated delivery systems ("IDS"). In doing so, the Internal Revenue Service has identified the factors set forth below as indicia of an IDS's charitable operation. Like Friendly Hills, Facey and the others, the Applicant is an integral component of a charitable integrated delivery system and possesses the indicia of charitable organization and operation necessary for Section 501(c)(3) status. Further guidance was provided in the Continuing Professional Education Textbook for Fiscal 2000 in regard to the community board and conflicts of interest policy requirements for an IDS.

1. An IDS's acquisition of physician assets must be at or below fair market value, based upon independent appraisals, and with arm's length negotiations. As discussed above, most of the Applicant's physician assets have been acquired from other Section 501(c)(3) organizations pursuant to the Settlement Agreement, which was approved by the U.S. bankruptcy court for the Western District of Pennsylvania. The Applicant's purchase of physician practices will be based upon a detailed evaluation and appraisal of the tangible assets. If intangible assets are purchased, the practice's business enterprise value will be carefully valued. Final decisions as to purchase price will be the result of often extensive negotiations, all conducted at arm's length and with commercially reasonable terms.

2. Physician compensation paid by an IDS must be reasonable, must be the result of arm's length negotiations, and must reflect competitive rates for services rendered. Physicians will be employed and compensated pursuant to employment agreements that will provide for a Base Salary and incentive compensation. The Base Salary will be based upon historical levels of income generated by each practice. Incentive compensation will be capped so that it cannot exceed a reasonable amount for services rendered and generally will be a percentage of the fees generated by that physician in excess of an identified historical benchmark.

3. The majority of an IDS's Board must consist of members independent of the IDS. The Applicant's By-Laws expressly provide that at all times no more than ten percent of the members of its Board of Directors may be full-time employees of the Applicant or WPAHS. (See By-Laws, Article IV, Section 2.)

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4. The IDS must adopt and operate under a conflicts of interest policy. The Applicant's By-Laws expressly provide that its Board of Directors will adopt a conflicts of interest policy. (See By-Laws, Article IV, Section 9.) A copy of the policy, which follows the form set forth by the Internal Revenue Service in the Continuing Professional Education Text for the September 30, 2000 fiscal year, is attached as Attachment #7.

5. The IDS must accept patients without regard to ability to pay, including Medicare and Medicaid patients. The WPAHS hospitals participate in Medicare and Medicaid and virtually all other major third party payment programs, as will all of the Applicant's sites and the physicians employed to render services there. Uncompensated care and/or healthcare services at reduced cost also will be provided by the Applicant.

6. A hospital associated with the IDS must maintain an open medical staff, provide emergency care without regard to ability to pay, and must accept Medicare and Medicaid patients. The WPAHS hospitals each operate full-time emergency departments open to the general public, which accept all patients without regard to their ability to pay. Several of the hospitals are located in the heart of downtown or other inner-city locations within Pittsburgh which includes a relatively high percentage of low and moderate-income individuals. The WPAHS hospitals thus provide substantial volumes of uncompensated care and other community services.

The WPAHS hospitals also all generally maintain open medical staffs, accept qualified practitioners located in the communities served by the various hospitals and the Applicant, in order to make the system's services -- inpatient and outpatient -- as readily accessible to the community as possible. AGH generally has an open medical staff, but has a medical staff development plan covering certain specialty practices that, consistent with applicable law, limits the number of staff in such areas.

As indicated above, the WPAHS hospitals also accept Medicare and Medicaid patients, and provide emergency care without regard to ability to pay.

7. IDS physicians cannot be required to refer patients to a particular hospital (except as required by managed care arrangements). Physicians at the Applicant's sites will not be required to refer patients to any particular hospital, nor will they be forbidden to maintain privileges at other hospitals.

8. An IDS's fees must not be set by physicians or by committees controlled by physicians but by the organization itself, approved by the IDS's Board of Directors. As noted above, the Applicant's fees will be negotiated by WPAHS, which is not controlled by physicians.

9. The IDS must provide significant programs of clinical research and medical education programs. As part of a large academic health care system, the Applicant's many community-based practice sites will provide new and expanded opportunities for clinical research in a variety of settings, as well as enriched medical education opportunities for students, the physicians, and the communities served by the system. The addition of a range of primary practice sites to the WPAHS system, through the Applicant, is particularly beneficial in expanding opportunities for medical students, residents and students in other health profession programs. To be exposed broadly during their training to primary care practice and to the challenges of coordinating a spectrum of care for individual patients is particularly significant to students in view of the current national emphasis on encouraging more young physicians to select primary care as their professional specialty.

In addition to the indicia of exemption listed above and relied upon by the Service in finding such IDS's as Friendly Hills and Facey entitled to Section 501(c)(3) status, the Applicant has additional factors not present in those cases.

10. The Applicant's physicians will be employees. All physicians who perform services at Applicant's primary and specialty care medical sites will be employees of the Applicant.

11. Physicians will not be key insiders to whom control is shifted. The physicians whose practices are acquired by the Applicant will not be chosen because of any prior status in or with the WPAHS system. They will not be officers or influential physicians already on the medical staff of the hospitals for whom the acquisition of their practices is a benefit in return for their past or future loyalty and influence. Rather, the physicians will be practitioners in key locations throughout the western Pennsylvania Community.

12. The Applicant's primary and specialty care sites represent a bona fide network of practice locations. Finally, the Applicant will have the practices of numerous physicians. Sheer volume alone is evidence that the acquisitions are part of a bona fide plan by the Applicant to build a new and integrated delivery system through the creation of a broad network of practice locations to enhance the charitable and educational mission of the WPAHS system and to enhance services for the communities served by the system and its facilities. The acquisitions are not acts of private benefit for key physicians or other private individuals.

In sum, the Applicant is organized and operated as a charitable organization within the meaning of Section 501(c)(3). Its charitable purpose is to provide and promote health care to the community, and to enhance medical education, and it achieves its

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charitable purpose by providing at its many primary and specialty care practice locations in western Pennsylvania, high quality affordable community-based medical services for the benefit of the residents of those communities and the regions, and by maintaining and ensuring the continued availability of such services to the communities.

By reason of its organizational documents and its operations, the Applicant satisfies all organizational and operational standards to qualify as a "charitable" organization, and qualifies as an organization described in Section 501(c)(3).

Ex 4

SETTLEMENT AGREEMENT

BY AND AMONG

ALLEGHENY GENERAL HOSPITAL

ALLEGHENY UNIVERSITY MEDICAL CENTERS

ALLEGHENY UNIVERSITY HOSPITALS-WEST

ALLEGHENY SINGER RESEARCH INSTITUTE

WILLIAM J. SCHARFFENBERGER, AS TRUSTEE
OF THE BANKRUPTCY ESTATE OF
ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION,

ALLEGHENY HOSPITALS - EAST, as Debtor-In-Possession.

ALLEGHENY HOSPITALS - CENTENNIAL, as Debtor-In-Possession

ALLEGHENY UNIVERSITY MEDICAL PRACTICES, as Debtor-In-Possession

ALLEGHENY UNIVERSITY OF THE HEALTH SCIENCES, as Debtor-In-Possession

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

OF CERTAIN OF THE FOREGOING

AND

THE HEALTHCARE ALLIANCE FOR WESTERN PENNSYLVANIA, INC.

Dated as of June 30, 1999

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EXHIBITS

- Exhibit 2.1(ii)** Form of Stipulation and Release of Transferring Parties
- Exhibit 2.8(a)** Form of Stipulation and Release of Governing Entity
- Exhibit 5.15** Form of PBGC Agreement
- Exhibit 7.5** Affiliation Agreement

SCHEDULES

- Schedule 3.3(a)** Assigned AHERF Equipment and Assigned AHERF Personal Property Leases
- Schedule 3.3(b)** Assigned AUMP Equipment and Assigned AUMP Personal Property Leases
- Schedule 3.3(b)(R)** Rejected AUMP Personal Property Leases
- Schedule 3.3(c)** Assigned AUHS Equipment and Assigned AUHS Personal Property Leases
- Schedule 3.3(c)(R)** Rejected AUHS Personal Property Leases
- Schedule 3.5(O)** Conveyed AUMP Real Property
- any sale contracts, leases, subleases, licenses, purchases, assignments or other agreements for the transfer of any part of the Real Property
- Schedule 3.5(a)(A)** Assigned AHERF Real Property Leases. As to Real Property Covered by Assigned AHERF Real Property Leases:
- terms of leases
 - any notices of cancellation, termination or default under any lease or conditions that would constitute a default
- Schedule 3.5(a)(R)** Rejected AHERF Real Property Leases

- Schedule 3.5(b)(A) **Assigned AUMP Real Property Leases. As to Real Property Covered by Assigned AUMP Real Property Leases:**
- any notices of cancellation, termination or default under any lease or conditions that would constitute a default
- Schedule 3.5(b)(R) **Rejected AUMP Real Property Leases**
- Schedule 3.5(c)(A) **Assigned AUHS Real Property Leases. As to Real Property Covered by Assigned AUHS Real Property Leases:**
- terms of leases
 - any notices of cancellation, termination or default under any lease or conditions that would constitute a default
- Schedule 3.5(c)(R) **Rejected AUHS Real Property Leases**
- Schedule 3.6 **Non-Compliance with Environmental Laws**
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- Schedule 3.10(g) **Assigned AUMP Agreements**
- Schedule 3.12 **AUHS/AUMP Balance Sheet**
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Schedule 3.14	Notices of Claims re: Government Reimbursement Programs
Schedule 3.15	<u>See</u> Schedule 3.15 of the Affiliation Agreement (Employee Benefit Plans)
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Schedule 5.8	Covered Rejected Agreements
Schedule 7.7(a)	Assigned AUHS Physician Agreements: Accrued Incentive and Bonus Compensation, FY 1998 and 1999
Schedule 7.7(b)	Assigned AUMP Physician Agreements: Accrued Incentive and Bonus Compensation, FY 1998 and 1999
Schedule 7.7(c)	Cure Costs for Assigned Contracts and Transferred Grant Agreements
Schedule 8.2	Form of Opinion of Counsel to the Trustee
Schedule 8.3	Form of Opinion of Counsel to the Governing Entity

SETTLEMENT AGREEMENT

This Settlement Agreement ("Settlement Agreement") is made and entered into as of this 30th day of June, 1999, by and among Allegheny General Hospital, a Pennsylvania non-profit corporation ("AGH"), Allegheny University Medical Centers, a Pennsylvania non-profit corporation ("AUMC"), Allegheny University Hospitals-West, a Pennsylvania non-profit corporation ("AUH-West"), Allegheny Singer Research Institute, a Pennsylvania non-profit corporation ("ASRI"), William J. Scharffenberger (the "Trustee"), as trustee for the bankruptcy estate of Allegheny Health, Education and Research Foundation ("AHERF"), Allegheny Hospitals-East, a Pennsylvania non-profit corporation ("AH-East"), as debtor-in-possession, Allegheny Hospitals, Centennial, a Pennsylvania non-profit corporation ("Centennial"), as debtor-in-possession, Allegheny University Medical Practices ("AUMP"), as debtor-in-possession, Allegheny University of the Health Science ("AUHS"), as debtor-in-possession, and the Official Committee of Unsecured Creditors of AHERF, AH-East, Centennial, AUMP and AUHS, on the one hand, and The Healthcare Alliance for Western Pennsylvania, Inc., a Pennsylvania non-profit corporation (the "Governing Entity").

W I T N E S S E T H

WHEREAS, the Governing Entity is entering into an Affiliation Agreement (the "Affiliation Agreement"), dated the date of this Settlement Agreement, by and among AGH, AUMC, AUH-West, AUMC-Canonsburg and ASRI (AGH, AUMC, AUMC-Canonsburg and ASRI collectively, the "Allegheny Entities"), on the one hand, and the Governing Entity, on the other hand;

WHEREAS, AHERF is the sole member of each of the Allegheny Entities (with the exception of AUMC-Canonsburg, the sole member of which is AUMC);

WHEREAS, each of AHERF, AUMP and AUHS has title to certain assets and is a party to certain contracts and agreements that are essential to the continued orderly and businesslike operation of the business of the Allegheny Entities;

WHEREAS, AHERF, its affiliates and its and their creditors have alleged that certain claims can be asserted against the Allegheny Entities;

WHEREAS, the Allegheny Entities have alleged that they have certain claims against AHERF and its affiliates;

WHEREAS, the parties hereto wish to settle the claims described herein on the terms and conditions set forth in this Agreement;

WHEREAS, the Allegheny Entities and the Governing Entity would not enter into the Affiliation Agreement if this Settlement Agreement were not executed and delivered by the

parties hereto simultaneously therewith, and it is a condition to the obligations of the Allegheny Entities and the Governing Entity at the closing of the transactions contemplated by the Affiliation Agreement that the transactions contemplated by this Settlement Agreement take place simultaneously with the closing of the transactions contemplated by the Affiliation Agreement; and

WHEREAS, the parties intend that this Agreement, the PBGC Agreement (as defined herein), the Transition Services Agreement (as defined herein), the Physician Entity Management and License Agreement (as defined herein) and the stipulation and releases contemplated herein be treated as a single integrated transaction and are in effect a single transaction;

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, and intending to be legally bound hereby, the parties agree as follows.

1. DEFINITIONS AND REFERENCES

1.1 Definitions and References. In addition to the terms defined elsewhere in this Agreement, as used in this Agreement the following terms have the meanings given:

Accreditation Bodies: any Government Authority, or private non-profit organization, that reviews and, based thereon, licenses or accredits hospitals or other health care facilities, including without limitation the Department of Health of the Commonwealth of Pennsylvania, the Joint Commission on Accreditation of Healthcare Organizations and the American Council on Graduate Medical Education;

Affiliate: any Person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with another Person, where "control" includes the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of securities, the possession of membership authority, election or appointment of directors, by contract or otherwise;

Affiliation Agreement: the Affiliation Agreement, dated as of the date hereof, by and among the Allegheny Entities and the Governing Entity, in the form of Exhibit 7.5 hereto;

Agreement: this Settlement Agreement and all Exhibits and Schedules attached hereto, as amended, consolidated, supplemented, novated or replaced by the parties from time to time;

AGH: Allegheny General Hospital, a Pennsylvania non-profit corporation;

AH-East: Allegheny Hospitals-East, a Pennsylvania non-profit corporation;

AH-East Estate: the bankruptcy estate of AH-East in Case No. 98-25776-MBM filed in the U.S. Bankruptcy Court for the Western District of Pennsylvania;

AHERF: Allegheny Health, Education and Research Foundation, a Pennsylvania non-profit corporation;

AHERF Estate: the bankruptcy estate of AHERF in Case No. 98-25773-MBM filed in the Bankruptcy Court;

AHSPIC: Allegheny Healthcare Services Providers Insurance Company, a Cayman Islands company;

Allegheny Entities: AGH, AUMC, AUMC-Canonsburg and ASRI;

Allegheny Entities Businesses: all businesses owned, leased, managed or otherwise operated or conducted by the Allegheny Entities, together with the Transferred Assets Businesses, taken as a whole;

AMPN: Allegheny Medical Practice Network, a Pennsylvania non-profit corporation of which the Governing Entity is the sole member;

Arbiter: such independent certified public accounting firm as shall be designated by mutual agreement of the Governing Entity Accountant and the Estates Accountant by notice given to the Governing Entity and the Trustee (provided that, if within five (5) days after the date on which an Arbiter is required to be appointed by the terms hereof, the Governing Entity Accountant and the Trustee Accountant shall have failed to agree upon the identity of the Arbiter, then the Arbiter shall be that independent certified public accounting firm that is not otherwise engaged with respect to any aspect of the bankruptcy cases of the Estates and that is selected by the Bankruptcy Court from one or more candidates designated by the Governing Entity or the Trustee);

Articles: Articles of this Agreement;

ASPN: Allegheny Specialty Practice Network, a Pennsylvania non-profit corporation of which the Governing Entity is the sole member;

ASRI: Allegheny Singer Research Institute, a Pennsylvania non-profit corporation;

Assets: all assets, real, personal and mixed, tangible and intangible;

Assigned AHERF Agreements: the Contracts listed on Schedule 3.7 and the Contracts listed on Schedule 3.10(e);

Assigned AHERF Equipment: those items of owned personal property listed on Schedule 3.3(a);

Assigned AHERF Personal Property Leases: those leases of personal property listed on Schedule 3.3(a)(A);

Assigned AHERF Real Property Leases: those leases of real property listed on Schedule 3.5(a)(A);

Assigned AUHS Agreements: the Contracts listed on Schedule 3.9 and Schedule 3.10(f);

Assigned AUHS/AUMP Balance Sheet Assets: those assets of AUHS and/or AUMP that would be reflected on a balance sheet of AUHS or AUMP prepared in accordance with GAAP as of the Closing Date, including without limitation the Assigned AUHS Equipment, the Assigned AUMP Equipment, the AUHS Pharmacological and Supplies Inventory, the AUMP Pharmacological and Supplies Inventory, the Conveyed AUMP Real Property, the Practice Accounts Receivable, Restricted Investments and the Restricted Investment Earnings, but excluding (x) cash other than cash representing Restricted Investments and Restricted Investment Earnings and (y) any amount or account receivable from AHERF, the AHERF Estate, AH-East, the AH-East Estate, Centennial, the Centennial Estate, AUH-West, or any Affiliate of any entity named in this clause (y) regardless of when accrued;

Assigned AUHS Equipment:- those items of owned personal property listed on Schedule 3.3(c);

Assigned AUHS Personal Property Leases: those leases of personal property listed on Schedule 3.3(c)(A);

Assigned AUHS Physician Agreements: those employment agreements with physicians employed by AUHS listed on Schedule 3.10(b)(A);

Assigned AUHS Real Property Leases: those leases of real property listed on Schedule 3.5(c)(A);

Assigned AUMP Agreements: the Contracts listed on Schedule 3.9 and Schedule 3.10(g);

Assigned AUMP Equipment: those items of owned personal property listed on Schedule 3.3(b);

Assigned AUMP Personal Property Leases: those leases of personal property listed on Schedule 3.3(b)(A);

Assigned AUMP Physician Agreements: those employment agreements between AUMP and physicians listed on Schedule 3.10(a)(A);

Assigned AUMP Real Property Leases: those leases of real property listed on Schedule 3.5(b)(A);

Assigned Contracts: the Assigned AHERF Agreements, the Assigned AHERF Real Property Leases, the Assigned AHERF Personal Property Leases, the Assigned AUHS Physician Agreements, the Assigned AUHS Agreements, the Assigned AUHS Real Property Leases, the Assigned AUHS Personal Property Leases, the Assigned AUMP Physician Agreements, the Assigned AUMP Agreements, the Assigned AUMP Real Property Leases, and the Assigned AUMP Personal Property Leases;

Assumed Balance Sheet Liabilities: defined in Section 2.9(b);

Assumed Contract Liabilities: defined in Section 2.9(c);

Assumed Liabilities: defined in Section 2.9(a);

AUH-West: Allegheny University Hospitals-West, a Pennsylvania non-profit corporation;

AUHS: Allegheny University of the Health Sciences, a Pennsylvania non-profit corporation;

AUHS Books and Records: all financial and other books, records, books of account and files of AUHS of every kind and nature other than tax returns, minute books and other books and records relating to corporate existence or governance;

AUHS Estate: the bankruptcy estate of AUHS in Case No. 98-25777-MBM filed in the Bankruptcy Court;

AUHS Pharmacological and Supplies Inventory: all of the inventory of drugs and pharmacological products, and of medical and office supplies, owned or held as of the Closing Date by AUHS at any of the sites covered by the Assigned AUHS Real Property Leases or at sites leased by AGH for practices conducted by physicians who are parties to Assigned AUHS Physician Agreements;

AUHS/AUMP Balance Sheet: the unaudited balance sheets of AUHS and AUMP as of March 31, 1999, in a form mutually agreed upon and to be attached hereto as Schedule 3.12 prior to the Closing;

AUMC: Allegheny University Medical Centers, a Pennsylvania non-profit corporation;

AUMC-Canonsburg: AUMC-Canonsburg, a Pennsylvania non-profit corporation, the sole corporate member of which is AUMC;

AUMP: Allegheny University Medical Practices, a Pennsylvania non-profit corporation;

AUMP Books and Records: all financial and other books, records, books of account and files of AUHS of every kind and nature other than tax returns, minute books and other books and records relating to corporate existence or governance;

AUMP Estate: the bankruptcy estate of AUMP in Case No. 98-25774-MBM filed in the Bankruptcy Court;

AUMP Pharmacological and Supplies Inventory: all of the inventory of drugs and pharmacological products, and of medical and office supplies, owned or held as of the Closing Date by AUMP at any of the sites covered by the Assigned AUMP Real Property Leases or at sites leased by AGH for practices conducted by physicians who are parties to Assigned AUMP Physician Agreements;

Bankruptcy Code: Title 11, United States Code;

Bankruptcy Court: the U.S. Bankruptcy Court for the Western District of Pennsylvania;

Centennial: Allegheny Hospitals, Centennial;

Centennial Estate: the bankruptcy estate of Centennial in Case No. 98-25775-MBM filed in the Bankruptcy Court;

Closing: defined in Section 8.1;

Closing Date: the date on or as of which the Closing occurs;

Code: the Internal Revenue Code of 1986, as amended;

Confirmed Endowments: the Endowments listed on Schedule 3.18;

Contracts: all commitments, contracts, leases, licenses, agreements and understandings, written or oral, relating to the Transferred Assets or the operation of the Transferred Assets Businesses, or which formerly related to the Transferred Assets Businesses but have been rejected, to which any Transferring Party is or was a party or by which it or any of the Transferred Assets are or were bound, including agreements with payers, physicians and other providers, agreements with health maintenance organizations, independent practice associations, preferred provider organizations and other managed care plans and alternative delivery systems, Grant Agreements, joint venture and partnership agreements, management, employment, retention and severance agreements, vendor agreements, real and personal property leases and schedules, maintenance agreements and schedules, and agreements with municipalities and labor organizations;

Controlled Group: with respect to any Transferring Party, a group consisting of each trade or business (whether or not incorporated) which, together with such Transferring Party, would be deemed a "single employer" within the meaning of section 4001(b)(1) of ERISA or subsections (b), (c), (m) or (o) of Section 414 of the Code;

Conveyed AUMP Real Property: those parcels of real property fee title to which is owned by AUMP and which fee title is being conveyed pursuant to Section 2.3, a metes and bounds description of which is contained in Schedule 3.5(O);

Covered Rejected Agreements: defined in Section 5.8;

Credentiailling Date: the date as of which the Governing Entity gives notice to the Transferring Parties that the assignment of the Assigned AUHS Physician Agreements and the Assigned AUMP Physician Agreements shall be effective, provided that such notice shall be given on or prior to ninety days after the Closing Date;

Cure Costs: the liabilities of the Transferring Parties, or any of them, under the Assigned Contracts that are required by the Bankruptcy Code to be paid to effect the assignment and assumption of such Assigned Contracts;

Deposit Escrow Agreement: the escrow agreement, dated as of the date hereof, by and between the Governing Entity, the Trustee and the Escrow Agent, providing for the maintenance and the disposition of the Deposit Escrow Amount in accordance with the terms and conditions hereof;

Deposit Escrow Amount: an amount in cash or immediately available funds equal to \$1,000,000;

Employee Benefit Plan: any (1) nonqualified deferred compensation or retirement plan or arrangement which is an Employee Pension Benefit Plan, (2) qualified defined contribution retirement plan or arrangement which is an Employee Pension Benefit Plan (including any Multiemployer Plan), (3) qualified defined benefit retirement plan or arrangement which is an Employee Pension Benefit Plan (including any Multiemployer Plan), or (4) Employee Welfare Benefit Plan or material fringe benefit plan or program that any Transferring Party or any member of the Controlled Group that includes any Transferring Party has been a sponsor of or party to, maintains or to which it contributes (including employee elective deferrals), or is required to contribute;

Employee Pension Benefit Plan: an Employee Benefit Plan defined in ERISA Sec. 3(2);

Employee Welfare Benefit Plan: an Employee Benefit Plan defined in ERISA Sec. 3(1);

Encumbrances: liabilities, levies, claims, charges, assessments, mortgages, security interests, liens, pledges, conditional sales agreements, title retention contracts, leases, subleases,

rights of first refusal, options to purchase, restrictions and other encumbrances, and agreements or commitments to create or suffer any of the foregoing, other than such of the foregoing as arise by the express terms of an Assigned Contract;

Endowment and Grant Accounts: specially created escrow accounts to be administered by the Governing Entity in accordance with the terms and conditions of the Endowment and Grant Restrictions and applicable Legal Requirements;

Endowment and Grant Restrictions: the terms and conditions of the underlying Endowments, Grants and Grant Agreements and any Legal Requirements associated therewith;

Endowments: any and all cash or cash equivalents or other property of any kind, together with the proceeds thereof, that has been contributed or has been committed to be contributed to or for the benefit of the Allegheny Entities or AUHS for any purpose whatsoever pursuant to Endowment and Grant Restrictions, including such of the foregoing as to which any interest may have been transferred to AHERF, or which have been recorded on the books of any of the Transferring Entities or to which any of the Transferring Entities may have legal or equitable title or a beneficial interest;

Environmental Claim: any notice by a Person alleging potential liability (including potential liability for investigatory costs, cleanup costs, Governmental Authority response costs, natural resource damages, property damages, personal injuries, or penalties) arising out of, based on or resulting from (1) the presence, or release into the environment, of any Materials of Environmental Concern at any location, whether or not owned by the Transferring Parties, or (2) circumstances forming the basis of any violation, or alleged violation, of any Environmental Laws;

Environmental Laws: any and all Legal Requirements relating to pollution or protection of human health or the environment (including ground water, land surface or subsurface strata), including Legal Requirements relating to emissions, discharges, releases or threatened releases of Materials of Environmental Concern, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, recycling, reporting or handling of Materials of Environmental Concern;

ERISA: the Employee Retirement Income Security Act of 1974, as amended;

Escrow Agent: Kalkines, Arky, Zall & Bernstein LLP, as escrow agent;

Estates: the AHERF Estate, the AUMP Estate, the AH-East Estate, the Centennial Estate and the AUHS Estate (individually or collectively as the context requires);

Estates Accountant: Deloitte & Touche LLP or such independent certified public accounting firm as may be designated by the Trustee by notice given to the Governing Entity;

Final Unsecured Claim Percentage: with respect to each of the AUHS Estate and the AUMP Estate, that percentage of each dollar of unsecured claims that an unsecured claimant is entitled to receive upon final distribution of the proceeds of such Estate as reflected in a plan of liquidation or reorganization that has been confirmed by the Bankruptcy Court or as a result of a distribution in a Chapter 7 case, which percentage shall be determined without taking into consideration the payments to be made by the Governing Entity under Section 5.9;

GAAP: generally accepted accounting principles, consistently applied;

Gateway: Gateway Health Plan, L.P., a Pennsylvania limited partnership;

Governing Entity: The Healthcare Alliance for Western Pennsylvania, Inc., a Pennsylvania non-profit corporation;

Governing Entity Physician Organization: AMPN and ASPN, jointly and severally;

Governing Entity Accountant: Arthur Andersen LLP or such other independent certified public accounting firm as may be designated by the Governing Entity by notice given to the Trustee;

Government Reimbursement Programs: federal and state Medicare, Medicaid and CHAMPUS programs, and similar or successor programs with or for the benefit of Governmental Authorities;

Governmental Authorities: all agencies, authorities, bodies, boards, commissions, courts, instrumentalities, legislatures and offices of any nature whatsoever of any federal, state, county, district, municipal, city, foreign or other government or quasi-government unit or political subdivision, and private arbitration panels or dispute resolution makers;

Grant Agreement: a contract with a Grant Provider, the terms and conditions of which govern the funding of specific activities, including research and education, for the use by or benefit of one or more of the Allegheny Entities, AUHS, AUMP or AHERF;

Grant Provider: any Governmental Authority, private non-profit organization or trust, or other Person providing Grants to AUHS for the use by or benefit of one or more of the Allegheny Entities, AUHS or AUMP for the conduct of research, education or other non-profit or charitable activities;

Grants: any and all grants, honoraria, prizes, research grants, sponsored projects, payments for clinical trials and any other funds or property of any kind that have been awarded or otherwise committed to AUHS, AUMP or AHERF to be used by the Allegheny Entities for a defined project, research area or other specified purpose;

Hill-Burton Act: the Public Health Service Act, 42 U.S.C. Section 291, *et seq.*;

Highmark: Highmark Inc., d/b/a Highmark Blue Cross Blue Shield, a Pennsylvania nonprofit corporation;

HSR Act: the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;

Immaterial Contracts: any Contract that (i) requires the future payment by any Transferring Party of cumulative value of \$20,000 or less or the future performance by any Transferring Party of services having a cumulative value of \$20,000 or less, or (ii) requires the future payment by any Transferring Party of cumulative value of \$50,000 or less, or the future performance by any Transferring Party of services having a cumulative value of \$50,000, and that is terminable by the respective Transferring Party at any time, without cause and without liability for any termination fee or other similar charge, on the part of the respective Transferring Party upon notice of ninety (90) days or less;

IRS: Internal Revenue Service;

Indebtedness: any and all indebtedness, obligations or liabilities of any Transferring Party for or in respect of: (i) borrowed money, (ii) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (iii) reimbursement obligations under any letter of credit, currency swap agreement, interest rate swap, cap, collar or floor agreement or other interest rate management device, (iv) any other transaction (including forward sale or purchase agreement, capitalized leases and conditional sales agreements) having the commercial effect of a borrowing of money entered into by any Transferring Party to finance its operations or capital requirements (but not including trade payables and accrued expenses incurred in the ordinary course of business which are not represented by a promissory note or other evidence of indebtedness); or (v) the obligations of any third party pursuant to a guaranty, surety relationship, contractual indemnity or otherwise;

Intellectual Properties: the marks, names, trademarks and service marks used in the Transferred Assets Businesses other than the names AUHS and AUMP, and patents, patent right, assumed names, logos, copyrights, trade secrets and similar intangibles (including variants thereof and applications therefor) used in the Transferred Assets Businesses and listed on Schedule 3.7;

Legal Requirements: with respect to any Person, all statutes, laws (including common law), ordinances, by-laws, codes, rules, regulations, restrictions, orders, judgments, writs, injunctions, decrees, permits, concessions, grants, franchises, licenses, determinations or awards of any Governmental Authority having jurisdiction over such Person or any of such Person's assets or businesses;

Letter of Intent: the letter of intent, dated March 1, 1999, by and among the Governing Entity, the Allegheny Entities, AUH-West, the Trustee as trustee of the AHERF Estate, AUMP, AUHS, the AUH-East Estate and the Centennial Estate;

Materials of Environmental Concern: any hazardous or toxic material, substance, or product or any pollutant or contaminant, whether or not defined as such under any

Environmental Law, including without limitation, any asbestos containing material; petroleum product, derivative, compound or mixture; polychlorinated biphenyls; radioactive material; lead-containing products; and any other substance which is prohibited by applicable law, which may require removal, remediation, and/or encapsulation by applicable law, or which may require a permit or special handling in its use, collection, storage, treatment or disposal;

Multiemployer Plan: defined in ERISA section 3(37) or section 4001(a)(3);

Non-Governmental Payor Programs: third party payor agreements and payment and reimbursement programs with a commercial insurer, managed care organization or health benefits plan, including without limitation such agreements and programs with Highmark Blue Cross Blue Shield, HealthAmerica or Aetna U.S. Healthcare, and any direct employer agreements or programs for the payment of the costs of medical services rendered to employees of a given employer, including without limitation the workers' compensation program for employees of the City of Pittsburgh;

Other Plan: any Contract, program or arrangement which provides cash or non-cash benefits or perquisites to current or former employees of any Transferring Party that any Allegheny Entity or any member of the Controlled Group that includes any Allegheny Entity has been a sponsor of or party to, maintains or to which it contributes (including employee elective deferrals), or is required to contribute, but which is not an Employee Benefit Plan;

Party: any party to this Agreement, its successors and assigns;

PBGC: the Pension Benefit Guaranty Corporation;

PBGC Agreement: the Agreement by and among the PBGC, the Governing Entity, the Allegheny Entities, AUH-West, the Trustee, and the Estates with respect to the RAP Plan in the form of Exhibit 5.15 (it being understood that, if such agreement is not executed as of the date hereof, it will be attached hereto as Exhibit 5.15 when executed and prior to the Closing);

Permitted Encumbrances: the Permitted Personal Property Encumbrances and the Permitted Real Property Encumbrances.

Permitted Personal Property Encumbrances: Encumbrances securing Assumed Liabilities that do not interfere with the use of the subject personal property in any material way, including liens for taxes not yet due and payable;

Permitted Real Property Encumbrances: (i) liens for taxes not yet due and payable and installments of special assessments not yet delinquent, and (ii) with respect to a given parcel of Conveyed AUMP Real Property such recorded easements, covenants, and other restrictions, and utility easements, building restrictions, zoning restrictions and other easements and restrictions as are reflected on a title search with respect to such parcel of Conveyed AUMP Real Property obtained by the Governing Entity;

Person: any individual, company, body corporate, association, partnership, limited liability company, firm, joint venture, trust, trustee or Governmental Authority;

Physician Entity Management and License Agreements: the meaning ascribed to such term in Section 6.11;

Practice Accounts Receivable: all current and deferred accounts and other amounts receivable as of the Closing Date by or in respect of services rendered or billable by AUMP and/or AUHS and/or physicians or other professionals employed by AUMP or AUHS or who have assigned to AUMP or AUHS the right to collect fees for professional services rendered by such physicians or other professionals, and arising out of the conduct of the Transferred Assets Businesses, whether or not invoices in respect of such services have been rendered as of the Closing Date;

RAP Plan: the Retirement Account Plan for Employees of Allegheny Health, Education and Research Foundation for certain employees of AHERF or Affiliates thereof;

Real Property: all real property owned or leased, together with all buildings, improvements and fixtures thereon and all appurtenances and rights thereto;

Rejected AUHS Physician Agreements: those employment agreements with physicians employed or whose practice is located in Western Pennsylvania listed on Schedule 3.10(b)(R), each of which has been or will be rejected by the AUHS Estate;

Rejected AUHS Leases: those leases of personal property located in Western Pennsylvania listed on Schedule 3.3(c)(R), and those leases of real property located in Western Pennsylvania listed on Schedule 3.5(c)(R), each of which has been or will be rejected by the AUHS Estate;

Rejected AUMP Physician Agreements: those employment agreements with physicians whose practice is located in Western Pennsylvania listed on Schedule 3.10(a)(R), each of which has been or will be rejected by the AUMP Estate;

Rejected AUMP Leases: those lease of personal property located in Western Pennsylvania listed on Schedule 3.3(b)(R), and those leases of real property located in Western Pennsylvania listed on Schedule 3.5(b)(R), each of which has been or will be rejected by the AUMP Estate;

Research Grants: all research grants in respect of which AUHS or AHERF is named as the grantee party;

Restricted Assets: all Restricted Cash, Endowments and Grants;

Restricted Cash: all cash and cash equivalents that are subject to Endowment and Grant Restrictions;

Restricted Investment Earnings: interest and earnings earned or accrued on or with respect to the Restricted Investments;

Restricted Investments: the temporarily restricted investments and permanently restricted investments of AUHS and AUMP as of March 31, 1999, and that as of the Closing Date have not been applied to the payment of amounts that would otherwise constitute Assumed Balance Sheet Liabilities;

Retained Liabilities: the meaning ascribed to such term in Section 2.10;

Sections: sections of the Agreement;

Tax: any federal, state, local foreign or other income (net or gross), unrelated business income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, privilege, premium, windfall profits, environmental (including taxes under Code Sec. 59A), customs duties, capital, capital stock, franchise, profits, withholding, social security, unemployment, disability, real property, personal property, intangible, stamp, sales, use, services, *ad valorem*, transfer, registration, unclaimed property, value added, alternative or add-on minimum, estimated or other tax, assessment, charge, levy or fee of any kind whatsoever, including payments or services in lieu of Taxes, interest or penalties on and additions to all of the foregoing, which are due or alleged to be due to any Governmental Authority; whether disputed or not;

Tax Return: any return, declaration, report, claim for refund, information return or statement, including schedules and attachments thereto and amendments, relating to taxes;

Transferred Assets: the tangible and intangible assets constituting or utilized in connection with the Transferred Assets Businesses that are to be assigned, set over and conveyed by the Transferring Parties at the Closing pursuant to Article 2 of this Agreement;

Transferred Assets Businesses: the businesses carried on by AUMP and/or AUHS in Western Pennsylvania (as the context requires), as the same may have been modified through the rejection or planned rejection (in accordance with the representations and warranties reflected in Article 3 or in accordance with Section 5.8) of executory contracts by the AUMP Estate or the AUHS Estate;

Transferred Endowments: any Endowments that were intended to be for the use or benefit of one or more of the Allegheny Entities and the interest of the Allegheny Entities in which was transferred to AHERF pursuant to that certain Order of the Orphan's Court, dated June 30, 1988, or that are otherwise recorded in the name of or carried on the books of AHERF or any Affiliate of AHERF other than AGH, AUMC, AUMC - Canonsburg and ASRI;

Transferred Grants: any Grants, and any applications for Grants or Grants in negotiation, together with the associated rights and the post-petition liabilities under the corresponding grant agreements, in each case as listed on Schedule 3.10(c);

Transferring Parties: AHERF, AUMP and AUHS, including their respective Estates, individually or collectively as the context may require;

Transition Services Agreement: the meaning ascribed to such term in Section 6.12;

Trustee: William Scharffenberger as trustee of the AHERF Estate;

Unrestricted Cash: all cash and cash equivalents, including unrestricted short-term investments, other than Restricted Cash;

Unsecured Creditors Committee: the Official Committee of Unsecured Creditors of AHERF, AUMP, Centennial, AH-East and AUHS;

VHA Membership: the membership interest of AHERF in the Voluntary Hospital Association;

West Penn: The Western Pennsylvania Healthcare System, Inc., a Pennsylvania non-profit corporation.

1.2 Certain References. As used in this Agreement, and unless the context requires otherwise:

- (a) references to "include" or "including" mean including without limitation;
- (b) references to "partners" include general and limited partners of partnerships and members of limited liability companies;
- (c) references to "partnerships" include general and limited partnerships, joint ventures and limited liability companies;
- (d) references to "hereof", "herein" and derivative or similar words refer to this Agreement;
- (e) references to any document are references to that document as amended, consolidated, supplemented, novated or replaced by the parties thereto from time to time;
- (f) references to any law are references to that law as amended, consolidated, supplemented or replaced from time to time and all rules and regulations promulgated thereunder;
- (g) references to time are references to Pittsburgh, Pennsylvania time;

(h) references in this Agreement to the "knowledge" of the Transferring Parties or variants thereof mean the actual knowledge, without investigation, of Patrick Hurst, Charles Morrison, Leonard Lobiando or William Scharffenberger;

(i) the gender of all words includes the masculine, feminine and neuter, and the number of all words includes the singular and plural; and

(j) the divisions of this Agreement into articles, sections and subsections and the use of captions and headings in connection therewith are solely for convenience and shall have no legal effect in construing the provisions of this Agreement.

2. CLOSING TRANSACTIONS

2.1 Conveyances by the AHERF Estate. Subject to the terms and conditions hereof, at the Closing AHERF, pursuant to an order of the Bankruptcy Court and on behalf of the AHERF Estate, shall:

(i) assign, set over, transfer and convey to AGH or AUMC or as otherwise directed by the Governing Entity, in each case free and clear of liens, claims and Encumbrances other than Permitted Personal Property Encumbrances, by a bill of sale, instrument of assignment or other similar instruments executed by AHERF that are reasonably satisfactory to the Governing Entity, AHERF, the Trustee and the Unsecured Creditors Committee, all of the right, title and interest of AHERF in and to:

- (A) the Assigned AHERF Agreements;
- (B) the Assigned AHERF Equipment;
- (C) the Assigned AHERF Personal Property Leases;
- (D) the Assigned AHERF Real Property Leases;
- (E) the Intellectual Properties; and
- (F) the VHA Membership; and

(ii) execute and deliver to the Governing Entity and West Penn a stipulation and release in the form of Exhibit 2.1(ii) for the benefit of each of the "Protected Parties" identified on such stipulation and release;

(iii) [Reserved]; and

(iv) execute and deliver to the Governing Entity on behalf of the Allegheny Entities an instrument reasonably satisfactory to the Governing Entity, the Allegheny

Entities, AHERF, the Trustee and the Unsecured Creditors Committee, effecting the withdrawal of AHERF as the sole voting member of the Allegheny Entities, consenting to the substitution of the Governing Entity as the sole voting member of the Allegheny Entities in lieu of AHERF, and approving the Amended and Restated Articles of Incorporation of AGH, AUMC and ASRI in the forms attached to the Affiliation Agreement as Exhibit 2.1(a) and approving the amended and restated Bylaws of AGH, AUMC and ASRI in the forms attached to the Affiliation Agreement as Exhibit 2.1(b).

2.2 Conveyances by the AUHS Estate. Subject to the terms and conditions hereof, at the Closing, the AUHS Estate shall:

(i) assign, set over, transfer and convey to the Governing Entity Physician Organization or as otherwise directed by the Governing Entity, in each case free and clear of liens, claims and Encumbrances other than Permitted Personal Property Encumbrances, by a bill of sale, instrument of assignment or other similar instruments executed by AUHS that are reasonably satisfactory to the Governing Entity, the Allegheny Entities, AUHS, the Trustee and the Unsecured Creditors Committee, all of the right, title and interest of the AUHS Estate in and to:

(A) the Assigned AUHS Physician Agreements (with the understanding that such assignment shall become effective by notice given to the Transferring Parties by the Governing Entity as of the Credentialing Date)

(B) the Assigned AUHS Agreements;

(C) the Assigned AUHS/AUMP Balance Sheet Assets;

(D) the Intellectual Properties;

(E) the Assigned AUHS Real Property Leases;

(F) the Assigned AUHS Personal Property Leases;

(G) the AUHS Books and Records;

(H) all cash representing Restricted Investment Earnings; and

(I) the Transferred Grants and Grant Agreements; and

(ii) execute and deliver to the Governing Entity and West Penn a stipulation and release in the form of Exhibit 2.1(ii).

2.3 Conveyances by the AUMP Estate. Subject to the terms and conditions hereof, at the Closing, the AUMP Estate shall:

(i) assign, set over, transfer and convey to the Governing Entity Physician Organization or as otherwise directed by the Governing Entity, in each case free and clear of liens, claims and Encumbrances (other than Permitted Personal Property Encumbrances and other than, in the case of the conveyed AUMP Real Property, the Permitted Encumbrances), by a bill of sale, deed, instrument of assignment or other similar instruments executed by AUMP that are satisfactory to the Governing Entity, the Allegheny Entities, AUMP, the Trustee and the Unsecured Creditors Committee, all of the right, title and interest of the AUMP Estate in and to:

(A) the Assigned AUMP Physician Agreements (with the understanding that such assignment shall become effective by notice given to the Transferring Parties by the Governing Entity as of the Credentialing Date);

(B) the Assigned AUMP Agreements;

(C) the Assigned AUHS/AUMP Balance Sheet Assets;

(D) the Intellectual Properties;

(E) the Assigned AUMP Real Property Leases;

(F) the Assigned AUMP Personal Property Leases;

(G) the Conveyed AUMP Real Property;

(H) the AUMP Books and Records;

(I) all cash representing Restricted Investment Earnings;

(J) the Transferred Grants and Grant Agreements; and

(K) if as of the Closing Date it remains owned by AUMP, the interest of AUMP as a general partner of Gateway; and

(ii) execute and deliver to the Governing Entity and West Penn a stipulation and release in the form of Exhibit 2.1(ii).

2.4 Delivery by the AH-East Estate. Subject to the terms and conditions hereof, at the Closing the AH-East Estate shall execute and deliver to the Governing Entity and West Penn a stipulation and release in the form of Exhibit 2.1(ii).

2.5 Delivery by the Centennial Estate. Subject to the terms and conditions hereof, at the Closing, the Centennial Estate shall execute and deliver to the Governing Entity and West Penn a stipulation and release in the form of Exhibit 2.1(ii).

2.6 Delivery by the Unsecured Creditors Committee. Subject to the terms and conditions hereof, at the Closing the Unsecured Creditors Committee shall execute and deliver to the Governing Entity and West Penn a stipulation and release in the form of Exhibit 2.1(ii).

2.7 No Other Assignments or Conveyances. Except for the Transferred Assets and as expressly contemplated by Sections 2.1, 2.2 and 2.3 (assuming the accuracy and completeness of the representations and warranties of the Transferring Parties), this Settlement Agreement does not constitute an agreement or establish an obligation on the part of the Transferring Parties to assign, set over, transfer or convey to any Person any asset of any character of the Transferring Parties, and all right, title and interest of any Transferring Party in respect of any of the foregoing shall as of and from the Closing Date be retained by such Transferring Party. Without limiting the generality of the foregoing, the term "Transferred Assets" shall not include the following assets of the Transferring Parties: (i) cash and cash equivalents, including unrestricted short-term investments, other than cash representing Restricted Investment Earnings and other than earnings on Transferred Endowments; (ii) any amount or account receivable from AHERF, the AHERF Estate, AH-East, the AH-East Estate, Centennial, the Centennial Estate, AUH-West, or any Affiliate of any entity named in this clause (ii) regardless of when accrued; (iii) the books and records listed on Schedule 2.1(i)(G) or Schedule 2.3(i)(G); (iv) the intellectual properties listed on Schedule 2.1(i)(E); and (v) all assets used or owned by the Transferring Parties, or any of them, which are not defined as Transferred Assets.

2.8 Payment of Settlement Consideration; Other Deliveries.

(a) Subject to the terms and conditions hereof, at the Closing, the Governing Entity shall do or cause to be done the following:

(i) the Governing Entity shall pay or cause to be paid to the Trustee on behalf of the Estates, by wire transfer of immediately available funds, twenty-four million dollars (\$24,000,000);

(ii) the Governing Entity shall instruct the Escrow Agent to pay to (A) the Trustee on behalf of the Estates, by wire transfer of immediately available funds, the Deposit Escrow Amount and (B) to the Governing Entity, by wire transfer of immediately available funds, all interest and earnings accrued on or with respect to the Deposit Escrow Amount during the period for which it has been held in escrow by the Escrow Agent;

(iii) the Governing Entity and West Penn shall execute and deliver to the Trustee, the Unsecured Creditors Committee and each of the Transferring Parties and the

Estates, a stipulation and release in the form of Exhibit 2.8(a) for the benefit of each of the "Protected Parties" identified on such stipulation and release;

(iv) the Governing Entity shall cause AMPN, A-SPN and each of the "Releasing Parties" identified on the stipulation and release in the form of Exhibit 2.8(a) other than the Allegheny Entities and AUH-West to execute and deliver to the Trustee, the Unsecured Creditors Committee and each of the Transferring Parties and the Estates, a stipulation and release in the form of Exhibit 2.8(a), for the benefit of each of the "Protected Parties" identified on such stipulation and release;

(v) the Governing Entity shall cause the Governing Entity Physician Organization to execute and deliver to the Transferring Parties an Instrument of Assumption, dated as of the Closing Date and reasonably satisfactory to the Transferring Parties, pursuant to which the Governing Entity Physician Organization agrees to assume, pay and discharge the Assumed Liabilities as provided in Section 2.9; and

(vi) the Governing Entity shall pay or cause to be paid all Cure Costs with respect to the Assigned Contracts as provided in Section 2.11.

(b) Simultaneously herewith, the Governing Entity is depositing the Deposit Escrow Amount in escrow under and pursuant to the Deposit Escrow Agreement. If this Agreement shall be terminated prior to Closing for any reason, except as provided in Section 8.4(b)(3), the Deposit Escrow Amount and all interest and earnings accrued thereon or with respect thereto shall be paid and returned in full to the Governing Entity effective upon the date of such termination. If the Closing shall occur, the Deposit Escrow Amount shall be paid at Closing to the Trustee on behalf of the Estates, and all interest and earnings accrued thereon or with respect thereto shall be paid to the Governing Entity, by the Escrow Agent.

(c) Subject to the terms and conditions hereof, at the Closing, each of the Allegheny Entities and AUH-West shall execute and deliver to the Trustee, the Unsecured Creditors Committee and each of the Transferring Parties and Estates, a stipulation and release in the form of Exhibit 2.8(a), for the benefit of each of the "Protected Parties" identified on such stipulation and release;

(d) If the Bankruptcy Court orders at the hearing approving this Agreement that the consideration contemplated by Section 2.8(a)(i) be posted or deposited with the court upon the entry of the order of the Bankruptcy Court approving this Agreement and pending the expiration of the period during which a notice of appeal may be filed with respect to such order, the Governing Entity shall cause such amount to be so posted or deposited pending the Closing and the expiration of such appeal period without the filing of a notice of appeal from such order, all on terms that are customary for such a posting or deposit.

2.9 Limited Assumption of Liabilities.

(a) At and subject to the Closing, the Governing Entity Physician Organization shall assume and agree to pay and discharge, and the Governing Entity shall cause the Governing Entity Physician Organization to execute and deliver to the Transferring Parties an instrument of assumption, dated as of the Closing Date and reasonably satisfactory to the Transferring Parties, pursuant to which the Governing Entity Physician Organization agrees to assume, pay and discharge, in a timely fashion and in full only those liabilities and obligations of the Transferring Parties expressly described in this Section 2.9. The liabilities and obligations of the Transferring Parties expressly described in this Section 2.9 shall consist of the Assumed Balance Sheet Liabilities (as such term is defined in Section 2.9(b)) and the Assumed Contract Liabilities (as such term is defined in Section 2.9(c)); the Assumed Balance Sheet Liabilities and the Assumed Contract Liabilities collectively are referred to herein as the "Assumed Liabilities". At and subject to the Closing neither the Transferring Parties nor their Affiliates shall have or be responsible for, whether pursuant to this Settlement Agreement or otherwise, any liability, obligation or responsibility whatsoever for any liabilities, claims, obligations or undertakings of any kind or character, whether fixed or contingent, known or unknown, liquidated or unliquidated, that constitutes an Assumed Liability, all of which shall, as between the Governing Entity, the Governing Entity Physician Organization, AGH and AUMC on the one hand and the Transferring Parties and the Estates on the other hand, be assumed and performed by the Governing Entity Physician Organization.

(b) The following liabilities and obligations of AUHS and AUMP shall be referred to herein as the "Assumed Balance Sheet Liabilities," in each case solely to the extent that such liabilities and obligations (A) accrue or have accrued with respect to the Transferred Assets Businesses and (B) accrue or have accrued after the date (the "Filing Date") of the filing by AUHS and AUMP of their petitions under the Bankruptcy Act;

(i) all liabilities and obligations of AUHS and AUMP accrued on or prior to the date of the AUHS/AUMP Balance Sheet and properly disclosed and reflected in accordance with GAAP on the AUHS/AUMP Balance Sheet, other than liabilities in the line item category "Payable to Affiliates, Net" and other than liabilities categorized as "pre-petition liabilities"; and

(ii) all liabilities and obligations of AUHS and AUMP accrued after the date of the AUHS/AUMP Balance Sheet that in each case (A) are or would be reflected on a balance sheet of AUHS or AUMP prepared in accordance with GAAP as of the Closing Date, excluding liabilities that are or would be reflected in the line item category "Payable to Affiliates, Net" and (B) are incurred or accrued in the ordinary course of business of AUHS and AUMP (and, with respect to liabilities incurred after the date of this Agreement, incurred or accrued in accordance with the terms and conditions of this Agreement).

For the avoidance of doubt, in no event shall Assumed Balance Sheet Liabilities include any liabilities or obligations of AUHS or AUMP: (v) for unpaid rent under Section 365(d)(3) or Section 365(d)(10) of the Bankruptcy Code which does not comprise a portion of the Assumed Contract Liabilities; (w) accrued on or prior to the Filing Date or that would constitute liabilities not entitled to priority under Section 507(a)(1) of the Bankruptcy Code if not assumed hereunder; (x) in respect of agreements with physicians that do not constitute Assigned AUHS Physician Agreements or Assigned AUMP Physician Agreements; (y) that arise in respect of the Rejected AUHS Physician Agreements, the Rejected AUMP Physician Agreements, the Covered Rejected Agreements or otherwise as a result of the termination by AUHS or AUMP of the employment or affiliation of any employee, physician or physician group employed by or associated with AUHS or AUMP; or (z) to AHERF, the AHERF Estate, AH-East, the AH-East Estate, Centennial, the Centennial Estate or AUH-West, or any Affiliate of any entity named in this clause (z), regardless of when accrued.

(c) The "Assumed Contract Liabilities" shall consist of and be limited to all liabilities and obligations of the Transferring Parties, or any of them, (i) arising on and after July 21, 1998 in respect of the Transferred Grants, (ii) arising on and after July 21, 1998 in respect of the Transferred Endowments, and (iii) arising from and after the Closing Date under the Assigned Contracts. It is understood that Assumed Contractual Liabilities shall include the obligation to maintain professional liability insurance in accordance with applicable law in respect of physicians who are parties to the Assigned AUHS Physician Agreements and Assigned AUMP Physician Agreements, including the obligation to contract for extended reporting periods with respect to periods of employment thereunder.

2.10 No Other Assumption of Liabilities. Except as expressly contemplated by Section 2.9, neither the Governing Entity, the Governing Entity Physician Organization nor any of the Allegheny Entities shall have, assume or be responsible for, whether pursuant to this Settlement Agreement or otherwise, any liability, obligation or responsibility whatsoever for any liabilities, claims, obligations or undertakings of any kind or character, whether fixed or contingent, known or unknown, liquidated or unliquidated, of any of the Transferring Parties or the Estates, whether or not relating to the Transferred Assets or the Transferred Assets Business (collectively, the "Retained Liabilities"), all of which shall, as between the Governing Entity, the Governing Entity Physician Organization and the Allegheny Entities on the one hand and the Transferring Parties on the other hand, be retained solely and exclusively by the applicable Transferring Party. Without limiting the generality of the foregoing, and for the avoidance of doubt, it is expressly agreed that except as expressly required by Section 5.9, neither the Governing Entity, the Governing Entity Physician Organization nor any of the Allegheny Entities shall have any liability, obligation or responsibility whatsoever in respect of the Rejected AUHS Physician Agreements, the Rejected AUHS Leases, the Rejected AUMP Physician Agreements or the Rejected AUMP Leases, all of which liabilities, obligations and responsibilities described in this sentence shall constitute Retained Liabilities.

2.11 Payment of Cure Costs. On the Closing Date, the Governing Entity shall cause any and all Cure Costs with respect to the Assigned Contracts that are required under the Bankruptcy Code to be paid or provided for by the Governing Entity Physician Organization as

a condition to assignment of such Assigned Contracts as contemplated by this Settlement Agreement.

2.12 License. For a reasonable period of time after the Closing Date, the Governing Entity Physician Organization is hereby granted a royalty-free license to use the names AUHS and AUMP pending its revision of its signage, stationery and other similar materials.

3. REPRESENTATIONS AND WARRANTIES OF THE TRANSFERRING PARTIES

Subject to Section 8.5, each Transferring Party represents and warrants to the Governing Entity:

3.1 Powers; Consents; Absence of Conflicts, Etc. The execution, delivery and (subject to the satisfaction of the conditions described in Section 6.3) performance of this Settlement Agreement (i) are within the power and authority of such Transferring Party, (ii) do not violate any Legal Requirement to which the Transferring Party may be subject, (iii) do not conflict with or result in any breach or contravention of any material Contract to which such Transferring Party is a party or by which such Transferring Party is bound, (iv) have been approved by all appropriate corporate action, and (v) except as otherwise expressly provided in this Settlement Agreement, do not require any approval of or consent of, or filing with, and Governmental Authority or any other third party.

3.2 Binding Agreement. Subject to the satisfaction of the conditions described in Section 6.3, this Settlement Agreement and all instruments and agreements hereunder to which such Transferring Party is or becomes a party are (or upon execution will be) valid and legally binding obligations of such Transferring Party, enforceable against such Transferring Party in accordance with the respective terms hereof or thereof, except as enforceability may be subject to general principles of equity.

3.3 Equipment. The Assigned AHERF Equipment and the Assigned AHERF Personal Property Leases that are listed and described on Schedule 3.3(a) constitute all owned and leased tangible personal property that is owned by or utilized under lease by the AHERF Estate and that is used or useful in the conduct of the Transferred Assets Businesses. The Assigned AUMP Equipment and the Assigned AUMP Personal Property Leases that are listed and described on Schedule 3.3(b) constitute all owned and leased tangible personal property that is owned by or utilized under lease by the AUMP Estate and that is used or useful in the conduct of the Transferred Assets Businesses. The Assigned AUHS Equipment and the Assigned AUHS Leases that are listed and described on Schedule 3.3(c) constitute all owned and leased tangible personal property that is owned by or utilized under lease by the AUHS Estate and that is used or useful in the conduct of the Transferred Assets Businesses. All equipment constituting Assigned AHERF Equipment, Assigned AUMP Equipment or Assigned AUHS Equipment owned by the Transferring Parties is well maintained and in good operating condition, except for reasonable wear and tear. All medical and other leased equipment constituting leased personal property under the Assigned AHERF Personal Property Leases, the Assigned AUMP Personal Property Leases or the Assigned AUHS Personal Property Leases is maintained (either by the Transferring Parties, the manufacturer or lessor, as the case may be) in accordance with applicable lease requirements and is in good operating condition, except for reasonable wear and

tear. Subject to the payment of the Cure Costs by the Governing Entity in accordance with this Settlement Agreement, and assuming the performance by the Allegheny Entities of their obligations under Section 5.10, as of the Closing Date all material payment obligations of the Transferring Parties in respect of the Assigned AHERF Personal Property Leases, the Assigned AUMP Personal Property Leases and the Assigned AUHS Personal Property Leases will be paid in full for all periods through and including the month in which the Closing Date occurs. The Rejected AUMP Leases listed or described on Schedule 3.3(b)(R) constitute all of the leases of personal property used in the Transferred Assets Business that have been rejected by the AUMP Estate during the pendency of its bankruptcy case. The Rejected AUHS Leases listed or described on Schedule 3.3(c)(R) constitute all of the leases of personal property used in the Transferred Assets Businesses that have been rejected by the AUHS Estate during the pendency of its bankruptcy case.

3.4 Title to Personal Property. The Transferring Parties own and hold good and valid title or leasehold title to all equipment constituting Assigned AHERF Equipment, Assigned AUMP Equipment or Assigned AUHS Equipment and all leased equipment leased under the Assigned AHERF Personal Property Leases, the Assigned AUMP Personal Property Leases or the Assigned AUHS Personal Property Leases, free and clear of any Encumbrances other than the Permitted Personal Property Encumbrances.

3.5 Real Property.

(a) The Conveyed AUMP Real Property listed and described in Schedule 3.5(O) constitutes all of the Real Property owned by AHERF, AUHS and AUMP that is used or useful in the conduct of the Transferred Assets Businesses. The Assigned AHERF Real Property Leases listed and described on Schedule 3.5(a) cover those parcels of real property as to which the AHERF Estate is the lessee that are used or useful in the conduct of the Transferred Assets Businesses. The Assigned AUMP Real Property Leases listed and described on Schedule 3.5(b) cover those parcels of real property as to which the AUMP Estate is the lessee that are used or useful in the Transferred Assets Businesses. The Assigned AUHS Real Property Leases listed and described on Schedule 3.5(c) cover those parcels of real property as to which the AUHS Estate is the lessee that are used or useful in the Allegheny Entities Businesses or the Transferred Assets Businesses. AUMP owns fee title to the Real Property described in Schedule 3.5(O) together with all buildings, improvements and fixtures thereon and all appurtenances and rights thereto, free and clear of any Encumbrances other than the Permitted Real Property Encumbrances.

(b) To the knowledge of the Transferring Parties, the buildings constructed on the Real Property described or listed in Schedules 3.5(a), 3.5(b)(A), 3.5(c)(A) or 3.5(O) are in a state of reasonable condition and repair adequate for the continued use of the property during the term of any applicable lease, are structurally sound, and in need of no material maintenance or repairs except for ordinary, routine maintenance.

(c) To the knowledge of the Transferring Parties, no Transferring Party has received notice of condemnation or similar proceeding relating to the Real Property described or listed in Schedules 3.5(a), 3.5(b)(A), 3.5(c)(A) or 3.5(O) or any part thereof.

(d) Subject to the payment of the Cure Costs by the Governing Entity in accordance with this Settlement Agreement and subject to the satisfaction of the conditions set forth in Section 6.3, and except as set forth in Schedules 3.5(b)(A) and 3.5(c)(A), each of the Real Property leases described in Schedules 3.5(a), 3.5(b)(A) or 3.5(c)(A) is in full force and effect and enforceable in accordance with their respective terms and are for the periods set forth in Schedules 3.5(a), 3.5(b)(A) and 3.5(c)(A). Except as set forth on Schedules 3.5(a), 3.5(b)(A) or 3.5(c)(A), the Transferring Parties have not received written notices of cancellation, termination, or default under any lease nor do any conditions currently exist which, with or without notice or lapse of time, or both, would constitute a default under the lease.

(e) Subject to the payment of the Cure Costs by the Governing Entity in accordance with this Settlement Agreement and subject to satisfaction of the conditions described in Section 6.3, the transactions contemplated by this Settlement Agreement will not constitute an assignment or other event which is not permitted by any of the real property leases described in Schedules 3.5(a), 3.5(b)(A) and 3.5(c)(A).

(f) Except as set forth in Schedule 3.5(O), there are no sale contracts, leases, subleases, licenses, purchases, assignments or other agreements for the transfer of any part of the Real Property described on Schedule 3.5(O) or which allow Persons other than the Transferring Parties to use or occupy the Real Property described on Schedule 3.5(O) or any part thereof.

(g) Subject to the payment of the Cure Costs by the Governing Entity in accordance with this Settlement Agreement, and assuming the performance by the Allegheny Entities of their obligations under Section 5.10, as of the Closing Date all material payment obligations of the Transferring Parties in respect of the Assigned AHERF Real Property Leases, the Assigned AUMP Real Property Leases and the Assigned AUHS Real Property Leases will be paid in full for all periods through and including the month in which the Closing Date occurs.

(h) The Rejected AUHS Leases listed or described on Schedule 3.5(c)(R) constitute all of the leases of real property used in the Transferred Assets Businesses that have been or are scheduled to be rejected by the AUHS Estate during the pendency of its bankruptcy case. The Rejected AUMP Leases listed or described on Schedule 3.5(b)(R) constitute all of the leases of real property used in the Transferred Assets Businesses that have been or are scheduled to be rejected by AUMP during the pendency of its bankruptcy case.

(i) The Real Property described in Schedules 3.5(b)(A), 3.5(c)(A), and 3.5(O), including the buildings and other improvements thereon, is in compliance with all applicable subdivision, land use, zoning, building law codes and other Legal Requirements.

3.6 Environmental Matters. Except as described on Schedule 3.6, the Transferred Assets are in compliance in all material respects with all Environmental Laws and there are no circumstances in existence that would prevent or interfere with compliance by the Transferred Assets in all material respects with Environmental Laws. No Materials of Environmental Concern have been or are on, or in, or released or generated or disposed from the Transferred Assets, except those materials (i) routinely used in connection with typical hospital uses, (ii) used or disposed of in material compliance with applicable Legal Requirements, and (iii) which do not and will not, with the passage of time, require any environmental remediation under applicable Legal Requirements. Except as described on Schedule 3.6, no Transferring Party has received any communication from any Person alleging that, with respect to the Transferred Assets, any Transferring Party is not in compliance in all material respects with Environmental Laws. Each Transferring Party has all permits, licenses and approvals required under applicable Environmental Laws to own or lease the Real Property (as applicable) and to conduct the Transferred Assets Businesses thereon as they are currently conducted.

3.7 Intellectual Properties, Computer Software, etc. Schedule 3.7 sets forth a list of the Intellectual Property used in or developed in connection with the Transferred Assets Businesses, and of any and all computer software, software licenses, systems maintenance agreements and similar agreements, instruments, contracts and similar systems that are necessary in order for the operation of the Transferred Assets Businesses to continue uninterrupted and in an orderly fashion in accordance with past practice as of the Closing Date and that the Governing Entity has designated for assignment hereby. Except as otherwise described in Schedule 3.7 and except for customary licensing or royalty fees payable under the Contracts, the Transferring Parties have the right to use all of the Transferred Assets listed on Schedule 3.7 free and clear of any royalty or other payment obligations, claims of infringement or other liens. Except for events of default arising as a result of the filing of a voluntary petition for relief under Chapter 11 of the Bankruptcy Code, and as set forth on Schedule 3.7, and subject to the payment of the Cure Costs by the Governing Entity in accordance with this Settlement Agreement, no Transferring Party is in material violation or infringement of, nor has any Transferring Party received a notice alleging any violation or infringement of, any rights of any other Person with respect to any such Intellectual Properties or computer software, programs or similar systems. Schedule 7.7(c) sets forth a true and correct statement of the amount of any Cure Costs that must be paid in order for the transfer, assignment or conveyance of such software, software licenses, systems maintenance agreements and other instruments and contracts to be validly consummated pursuant to this Agreement.

3.8 Insurance. Schedule 3.8 describes all material insurance arrangements, including self-insurance, in place for the benefit of the Transferred Assets and the conduct of the Transferred Assets Businesses. With respect to third party insurance, Schedule 3.8 sets forth the name of each insurer, whether such insurer is an Affiliate of any Transferring Party, and the number, coverage, limits, term and premium for each policy of insurance purchased or held by the Transferring Parties covering the ownership and operation of the Transferred Assets and the Transferred Assets Businesses.

3.9 Permits and Licenses. The Transferring Parties hold or own all material licenses, permits, grants, authorizations, easements, variances, exemptions, consents, approvals, orders, accreditations by Accreditation Bodies, franchises and certificates of need (including applications therefor) (collectively, the "Permits") necessary to the ownership, development or operations of the Transferred Assets Businesses and the Transferred Assets, a true and complete list of which is reflected on Schedule 3.9. AUMP and AUHS are duly licensed by the appropriate state agencies and any ancillary departments located at the facilities of the Transferred Assets Businesses that are required to be specifically licensed are duly licensed by the appropriate state agencies, and have the accreditations from Accreditation Bodies listed on Schedule 3.9. Except as described in Schedule 3.9, the Transferred Assets Businesses are in compliance in all material respects with such licensing and accreditation requirements and there is no action proceeding or investigation pending or threatened that could result in suspension or cancellation of any of the Permits.

3.10 Agreements and Commitments.

(a) The Assigned AUMP Physician Agreements listed or described on Schedule 3.10(a)(A) constitute each of the material Contracts with physicians and physician practices to which AUMP is a party other than the Rejected AUMP Physician Agreements. As of the Closing Date, subject to the payment or provision for the Cure Costs by the Governing Entity Physician Organization as contemplated by this Settlement Agreement, all obligations of AUMP under the Assigned AUMP Physician Agreements will be paid in full for all periods through the month in which the Closing Date occurred. The Rejected AUMP Physician Agreements listed or described on Schedule 3.10(a)(R) constitute each of the contracts with physicians whose practice is located in Western Pennsylvania and physician practices located in Western Pennsylvania to which AUMP is a party that have been or are scheduled to be rejected by the AUMP Estate during the pendency of its bankruptcy case.

(b) The Assigned AUHS Physician Agreements listed or described on Schedule 3.10(b)(A) constitute each of the material Contracts with physicians to which AUHS is a party other than the Rejected AUHS Physician Agreements. As of the Closing Date, subject to the payment or provision for the Cure Costs by the Governing Entity Physician Organization as contemplated by this Settlement Agreement, all obligations of AUMP under the Assigned AUHS Physician Agreements will be paid in full for all periods through the month in which the Closing Date occurred. The Rejected AUHS Physician Agreements listed or described on Schedule 3.10(b)(R) constitute each of the Contracts with physicians whose practice is located in Western Pennsylvania to which AUHS is a party that have been or are scheduled to be rejected by AUHS during the pendency of its bankruptcy case.

(c) The Transferred Grants listed or described on Schedule 3.10(c) constitute all Grant Agreements to which AUHS, AUMP or AHERF is a party or under which AUHS, AUMP or AHERF is the grantee. The Grants listed on Schedule 3.10(c) listed as "Assigned AUHS Sponsored Projects", "Rejected AUHS Sponsored Projects" and "Project Ended" shall

all be deemed to be Transferred Grants. Schedule 3.10(c) also includes a list of applications for Grants and Grants in negotiation that are included in the Transferred Grants.

(d) The Transferred Endowments included within Schedule 3.18 constitute all of the Endowments that were intended to be for the use or benefit of one or more of the Allegheny Entities and the interests of the Allegheny Entities in which may have been transferred to AHERF pursuant to that certain order of the Orphan's Court, dated June 30, 1988, or that may be otherwise recorded in the name of or carried on the books of AHERF or any Affiliate of AHERF other than the Allegheny Entities.

(e) The Assigned AHERF Agreements listed and described on Schedule 3.10(e) constitute those material Contracts to which AHERF is a party, that are not listed on any Schedule referenced in Section 3.3, Section 3.5, Section 3.7 or Section 3.9 and that are used or useful in the conduct of the Transferred Assets Businesses.

(f) The Assigned AUHS Agreements listed and described on Schedule 3.10(f) constitute those material Contracts to which AUHS is a party that are not listed on any Schedule referenced in Section 3.3, Section 3.5, Section 3.7, Section 3.9 or Section 3.10(b) and that are used or useful in the conduct of the Transferred Assets Businesses.

(g) The Assigned AUMP Agreements listed and described on Schedule 3.10(g) constitute those Contracts to which AUMP is a party that are not listed on any Schedule referenced in Section 3.3, Section 3.5, Section 3.7, Section 3.9 or Section 3.10(a) and that are used or useful in the conduct of the Transferred Assets Businesses.

(h) Except for Contracts listed on a schedule to this Agreement, complete and correct copies of which have been made available by the Transferring Parties to the Governing Entity;

(i) there are no material Contracts adversely affecting the ownership or use of, title to or interest in any Transferred Assets;

(ii) there are no material Contracts with providers, physicians or physician groups;

(iii) there are no material employment or severance Contracts; and

(iv) there are no material contracts for the management of any part of the Transferred Assets Businesses.

(i) Except for events of default arising as a result of the filing of a voluntary petition for relief under Chapter 11 of the Bankruptcy Code, and except as set forth on Schedule 3.10(e), subject to the payment of the Cure Costs by the Governing Entity in accordance with

this Settlement Agreement, none of the Transferring Parties is in material breach of any of Assigned Contracts.

3.11 Employees and Employee Relations.

(a) The Governing Entity has separately received (i) a complete list (as of the date set forth therein) of names, positions, current annual salaries or wage rates, and bonus and other compensation arrangements of all full-time and part-time non-physician employees of AHERF, AUMP and AUHS employed in the operation of the Transferred Assets Businesses as of a date no earlier than April 1, 1999, and (ii) a separate complete list (as of the date set forth therein) of names, positions, current annual salaries or wage rates, and bonus and other compensation arrangements of all full-time and part-time physician employees of AUMP and AUHS as of a date no earlier than April 1, 1999, (indicating in both lists whether each employee is part-time or full-time, the name of the employer of such employee and whether such employee is employed under written Contract).

(b) No employees of any Transferring Party are represented by, or have made demand for recognition of, a labor union or employee organization, and no other union organizing or collective bargaining activities by or with respect to any employees of any Transferring Party are taking place.

3.12 AUHS and AUMP Financial Statements. The AUHS/AUMP Balance Sheet attached hereto as Schedule 3.12 fairly reflects in all material respects the assets and liabilities of AUHS and AUMP as of its date, in accordance with GAAP.

3.13 Legal and Regulatory Compliance. Except as described in Schedule 3.13, AUMP and AUHS are in compliance with all Legal Requirements, and have timely filed all reports, data and other information required to be filed with Governmental Authorities. To the knowledge of the Transferring Parties, except as described on Schedule 3.13, neither AUHS nor AUMP has received notice or otherwise has knowledge from any Person of any proceeding, audit or investigation by Governmental Authorities or any other Person.

3.14 Government Reimbursement Programs and Other Payor Programs.

(a) To the extent required, each of AUHS and AUMP is qualified for participation in and has current and valid provider contracts with the Government Reimbursement Programs and the Non-Governmental Payor Programs under which such entity has received reimbursement or direct payments in respect of services rendered and/or with the fiscal intermediaries or paying agents under such programs, and complies in all material respects with the conditions of participation therein. To the extent required, AUHS and AUMP are entitled to payment under the Government Reimbursement Programs and the Non-Governmental Payor Programs for services rendered to qualified beneficiaries and have received all approvals or qualifications necessary for capital reimbursement, if any, on the Transferred Assets. Neither AUHS nor AUMP has received or submitted any claim for payment in excess of the amount

provided by, or otherwise in violation of, law or applicable regulations and, except as described on Schedule 3.14, neither AUHS nor AUMP has received notice of or otherwise has knowledge of any dispute or claim by any Governmental Authority, fiscal intermediary or other person regarding the Government Reimbursement Programs or the Non-Governmental Payor Programs or AUMP's or AUHS's participation therein. The AUHS/AUMP Balance Sheet reflect proper and adequate reserves for all normal and customary audit and contractual adjustments for which the businesses of AUHS and AUMP will be liable under the Government Reimbursement Programs and the Non-Governmental Payor Programs.

(b) All claims for payment on the part of AUMP and AUHS to patients and to third party insureds under the Government Reimbursement Programs and Non-Governmental Payor Programs are valid and enforceable in accordance with their terms, subject only to contractual adjustments. No such claims are subject to offset, recoupment or counterclaim by any patients, Governmental Authority or other third party payor.

3.15 Employee Benefit Plans. Schedule 3.15 lists each Employee Benefit Plan and Other Plan that any Transferring Party or any member of the Controlled Group that includes any Transferring Party has been a sponsor of or, party to, maintains or to which it contributes (including employee elective deferrals), or is required to contribute.

3.16 Litigation and Proceedings.

(a) Subject to the satisfaction of the conditions set forth in Article VI and Article VII, there are no claims, actions, suits, litigation, arbitration, mediations, investigations and other proceedings pending or threatened against the Transferring Parties which prevent or which seek to prevent the execution, delivery or performance of this Agreement or which affect or seek to affect adversely the execution, delivery or performance of the obligations hereunder.

(b) Schedule 3.16 sets forth a list and summary description of all material claims, actions, suits, litigation, arbitration, mediations, investigations and other proceedings pending or threatened against AUMP or AUHS as of the date of this Agreement which are not stayed pursuant to Section 362 of the Bankruptcy Code. None of the liabilities or obligations of AUMP or AUHS in respect of the matters described on this Schedule 3.16 shall constitute Assumed Balance Sheet Liabilities.

3.17 Medical Staff. The Transferring Parties have made available to the Governing Entity copies of any bylaws, rules, or regulations currently in effect with respect to the medical staff and medical executive committees of AUHS and AUMP. To the knowledge of the Transferring Parties, each professionally licensed employee of any of the Transferring Parties is and at all times during his or her employment with such Transferring Party has been duly licensed by all applicable licensing bodies and has held all professional certificates and designations appropriate to the functions discharged by him or her.

3.22 Full Disclosure. This Agreement and the schedules and exhibits hereto, including the Affiliation Agreement and the schedules and exhibits thereto, do not contain any material misstatement of fact or, when taken as a whole, omit to state a material fact necessary to make the statements contained herein or therein not misleading.

4. REPRESENTATIONS AND WARRANTIES OF THE GOVERNING ENTITY, THE ALLEGHENY ENTITIES AND AUH-WEST

Each of the Governing Entity as to itself, the Governing Entity Physician Organization and West Penn, and the Allegheny Entities as to themselves and AUH-West as to itself makes the following representations and warranties to the Transferring Parties, the Trustee and the Unsecured Creditors Committee on and as of the date hereof and shall be deemed to make them again at and as of the Closing:

4.1 Organization. Each of the Governing Entity, West Penn, the Governing Entity Physician Organization, the Allegheny Entities and AUH-West is a non-profit corporation duly organized and validly subsisting under the laws of the Commonwealth of Pennsylvania.

4.2 Corporate Powers; Consents; Absence of Conflicts, Etc. Each of the Governing Entity, the Governing Entity Physician Organization, each of the Allegheny Entities and AUH-West has the requisite power and authority to conduct its business as now being conducted, to enter into this Settlement Agreement, and to perform its obligations hereunder. Any document or instrument executed by West Penn hereunder is or will when it is executed and delivered be duly authorized by all requisite corporate action of West Penn. The execution, delivery and performance by the Governing Entity, each of the Allegheny Entities and AUH-West of this Agreement and the consummation of the transactions contemplated herein by it and the execution, delivery and performance of the agreements executed by West Penn hereunder to which it is a party:

(a) are within its corporate powers and are not in contravention of the terms of its articles of incorporation and bylaws, as amended to date, and have been approved by all requisite corporate action;

(b) except as otherwise expressly herein provided, do not require any approval or consent of, or filing with, any Governmental Authority;

(c) do not conflict with or result in any breach or contravention of, any material agreement to which it is a party or by which it is bound; and

(d) do not violate any Legal Requirement to which it may be subject.

4.3 Binding Agreement. This Agreement and all instruments and agreements hereunder to which the Governing Entity, the Governing Entity Physician Organization, any Allegheny Entity or AUH-West is or becomes a party, and any instruments or agreements

executed hereunder by West Penn, are (or upon execution will be) valid and legally binding obligations of such party enforceable against it in accordance with the respective terms hereof and thereof, except as enforceability against them may be restricted, limited or delayed by applicable bankruptcy or other laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity.

4.4 Brokers and Finders. Neither the Governing Entity, the Governing Entity Physician Organization, West Penn nor any Affiliate of the Governing Entity, or West Penn, nor AUH-West nor any officer, director, employee or agent thereof, has engaged any finder or broker in connection with the transactions contemplated hereunder.

4.5 Payments. Neither the Governing Entity, the Governing Entity Physician Organization, West Penn nor any Affiliate of the Governing Entity, or West Penn, or AUH-West, or any officer, director, employee or agent thereof, has, directly or indirectly, paid or delivered, offered to pay or deliver, or agreed to pay or deliver any fee, commission or other sum of money or item of property, however characterized, to any Person which is now or was previously an Affiliate or insider of the Transferring Parties or the Allegheny Entities to induce the consent or approval of such Person with respect to the transactions contemplated hereby.

5. COVENANTS AND AGREEMENTS OF THE PARTIES

5.1 Operations. The parties acknowledge and agree that, notwithstanding that the Transferred Assets and the Transferred Assets Businesses are owned by the Transferring Parties, the Transferring Parties do not exercise sole control over all aspects of the Transferred Asset Businesses. Until the Closing Date, except as otherwise expressly provided in this Settlement Agreement and subject to the obligations of the Transferring Parties to comply with any applicable order of the Bankruptcy Court, the Transferring Parties shall not take any action that is within their control and that is inconsistent with the following:

(a) (i) carrying on the Transferred Assets Businesses in the ordinary course and in substantially the same manner as they have heretofore; (ii) without limiting the generality of the foregoing, it is specifically agreed that the Transferring Parties shall apply all proceeds of the collection of accounts receivable of AUHS and AUMP to the payment of liabilities that would otherwise constitute Assumed Balance Sheet Liabilities;

(b) maintaining the Transferred Assets in good working order and condition, ordinary wear and tear excepted;

(c) performing when due all Legal Requirements relating to or affecting the Transferred Assets;

(d) keeping in full force and effect present insurance policies or other comparable insurance benefitting the Transferred Assets;

(e), permitting and allowing reasonable access by the Governing Entity to establish, effective as of the Closing Date, relationships with physicians, payors and other Persons having business relations with the Transferring Parties.

5.2 Certain Actions. Until the Closing Date, except as otherwise expressly provided in this Settlement Agreement and subject to the obligations of the Transferring Parties to comply with any applicable order of the Bankruptcy Court, the Transferring Parties shall not take any of the following actions that is within their control, except as necessary to preserve the assets of the Estates or with the approval of the Bankruptcy Court:

(a) assigning, amending or terminating any Contract constituting a Transferred Asset, except for Immaterial Contracts or in the ordinary course of business;

(b) increasing compensation benefits, or other remuneration payable or to become payable to, make a bonus or severance payment to, or otherwise entering into one or more bonus or severance agreements with, any employee or agent of any Transferring Party, or appointing, hiring or engaging any employee except for non-professional, at-will employees hired in the ordinary course of the Transferred Assets Businesses;

(c) creating, agreeing to create, guaranteeing, assuming or permit to exist any new Encumbrance upon any of the Transferred Assets;

(d) selling, assigning, transferring, distributing or otherwise transferring or disposing of any Transferred Assets other than owned personal property in the ordinary course of business subject to the replacement thereof with comparable replacements;

(e) taking any action outside the ordinary course of the Transferred Assets Businesses;

(f) canceling, forgiving, releasing, discharging or waiving any receivable or any similar Asset that may constitute a Practice Account Receivable, or agreeing to do any of the foregoing, except in the ordinary course of the Transferred Assets Businesses consistent with past practices and with respect to a Person that is not an Affiliate of any Transferring Party or any Allegheny Entity;

(g) terminating, amending or otherwise modifying any Employee Benefit Plan or Other Plan, except for amendments required to comply with applicable Legal Requirements;

(h) applying the proceeds of the collection of any accounts receivable of AUHS or AUMP for any purpose other than the payment of liabilities that would constitute Assumed Balance Sheet Liabilities; or

(i) requiring any cash payment from the Allegheny Entities or AUH-West that does not represent a charge for the direct cost of services that had been provided for the benefit of an Allegheny Entity, AUHS or AUMP for periods after March 1, 1999.

5.3 Access to and Provision of Additional Information.

(a) Until the Closing, the Transferring Parties shall provide to the Governing Entity, on reasonable request and during normal business hours, full and complete access to and the right to inspect and copy, at the Governing Entity's cost, the Transferred Assets, books and records of the Transferring Parties relating to the Transferred Assets Businesses, access to the Transferring Parties' files and other records regarding claims, actions, suits, litigation, arbitration, mediations, investigations and other proceedings pending against or otherwise affecting the Transferred Assets Businesses or the Transferred Assets, and such additional financial, operating and other data and information regarding the Transferred Assets Businesses as the Governing Entity may from time to time reasonably request, whether such books, records and data are in the possession of the Transferring Parties or in the possession of a consultant or advisor to the Transferring Parties.

(b) After the Closing, the Transferring Parties, the Trustee and the Unsecured Creditors Committee shall have the opportunity to review, and the Allegheny Entities shall provide to the Transferring Parties, on reasonable request and during normal business hours, full and complete access to and the right to inspect the Transferred Assets and to inspect and copy all books and records relating to the Transferred Assets Businesses that are in the possession of or controlled by the Allegheny Entities, including any Allegheny Entities' files and other records regarding claims, actions, suits, litigation, arbitration, mediations, investigations and other proceedings pending against or otherwise affecting the Transferred Assets Businesses or the Transferred Assets, whether such books, records and data are in the possession of the Allegheny Entities or in the possession of a consultant or advisor to the Allegheny Entities, all of the foregoing at the reasonable cost and expense of the Transferring Parties.

(c) The exercise of any right of access granted herein shall not unreasonably interfere with the business operations of the Transferred Asset Businesses.

5.4 Governmental Authority Approvals; Consents to Assignment. Until the Closing Date, each Transferring Party, each Allegheny Entity and the Governing Entity shall (i) promptly apply for and use all reasonable efforts to obtain as soon as practicable all consents, approvals, authorizations and clearances of Governmental Authorities required of it to consummate the transactions contemplated hereby, (ii) provide such information and communications to Governmental Authorities as the other party or such Persons may reasonably request, (iii) reasonably assist and cooperate with other parties to obtain all consents, licenses, permits, approvals, authorizations and clearances of Governmental Authorities that the other parties reasonably deem necessary or appropriate, and to prepare any document or other information reasonably required of it by any such Persons to consummate the transactions contemplated herein, and (iv) otherwise use all reasonable efforts to cause the Closing to occur as soon as possible; provided that, notwithstanding the foregoing, no party shall have any obligation under such provisions to pay any cash amounts to Governmental Authorities other than filing fees.

5.5 Further Acts and Assurances. At any time and from time to time at and after the Closing, upon request of a party, each other party shall do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such further acts, deeds, powers of attorney, confirmations and assurances as the requesting party may reasonably request to more effectively consummate the transactions contemplated, including to more effectively and completely convey the Transferred Assets to or as directed by the Governing Entity. Each party shall also furnish, at the reasonable request and sole cost of another party, such information and documents in its possession or under its control, or which such furnishing party can execute or cause to be executed, as will enable the requesting party to prosecute any and all petitions, applications, claims and demands relating to the transactions contemplated hereby.

5.6 Restricted Assets. The Governing Entity acknowledges that the Restricted Assets are subject to the Endowment and Grant Restrictions. The Governing Entity will cause the Allegheny Entities to take such actions after Closing as are reasonably necessary to comply with the conditions of such Endowment and Grant Restrictions, including but not limited to establishment and maintenance of the Endowment and Grant Accounts.

5.7 Costs and Expenses.

(a) Except as otherwise expressly set forth in this Agreement, all expenses of the preparation of this Agreement and of the consummation of the transactions contemplated hereby, including counsel, accounting, brokerage and investment advisor fees and disbursements, shall be borne by the respective party incurring such expense, whether or not such transactions are consummated.

(b) The Governing Entity shall pay the cost of environmental, engineering and other professional studies undertaken by the Governing Entity.

5.8 Covered Rejected Agreements. Schedule 5.8 lists all physician agreements and leases (the "Covered Rejected Agreements") that (i) as of April 20, 1999 had not been subject to a motion to reject filed by the Estates, and (ii) are included in schedules of Rejected AUHS Physician Agreements listed on Schedule 3.10(b)(R), Rejected AUHS Leases listed on Schedule 3.3(c)(R) or Schedule 3.5(c)(R), Rejected AUMP Physician Agreements listed on Schedule 3.10(a)(R) and/or Rejected AUMP Leases listed on Schedule 3.3(b)(R) or Schedule 3.5(b)(R). Service and maintenance agreements associated with physician agreements and leases that are Covered Rejected Agreements shall also be deemed to constitute Covered Rejected Agreements. The Estates shall promptly, and in any event within thirty days (30) after the date of this Settlement Agreement, file a motion with the Bankruptcy Court to reject each Covered Rejected Agreement, and the Covered Rejected Agreement shall not constitute an Assigned AUHS Personal Property Lease, Assigned AUHS Physician Agreement, Assigned AUHS Real Property Lease, Assigned AUMP Personal Property Lease, Assigned AUMP Physician Agreement or Assigned AUMP Real Property Lease for any purpose hereof. Between the date hereof and the Closing Date, the Governing Entity shall be permitted by notice given to the Trustee to supplement and add to the Schedules of Covered Rejected Agreements, provided that no such additions shall decrease the number of physicians listed on Schedule 3.10(a)(A) (Assigned AUMP Physician Agreements) or on Schedule 3.10(b)(A) (Assigned AUHS Physician

Agreements, by more than 10% by number of physicians (in each case as compared to such schedules as of the date hereof). In addition, if after the date hereof either the Governing Entity or the Transferring Parties identifies personal property leases to which AUHS is a party and that are listed on neither Schedule 3.3(c)(A) or 3.3(c)(R), then upon such identification, the Governing Entity shall give notice of whether it elects to treat such personal property leases as being included in Schedule 3.3(c)(A) or 3.3(c)(R). Upon the giving of any such notice described in this Section 5.8 which adds to a schedule of rejected agreements or leases, (i) the Estates shall promptly, and in any event within 30 days after the giving of such notice, file a motion to reject the applicable agreement or lease and thereafter use all reasonable efforts to cause such rejection to become final, (ii) the applicable agreement or lease so added to such Schedule shall be deemed to constitute a part of such Schedule for all purposes hereof, (iii) the applicable agreement or lease shall not constitute an Assigned AUHS Personal Property Lease, Assigned AUHS Physician Agreement, Assigned AUHS Real Property Lease, Assigned AUMP Personal Property Lease, Assigned AUMP Physician Agreement or Assigned AUMP Real Property Lease for any purpose hereof, (iv) such agreements shall constitute Covered Rejected Agreements.

5.9 Payment in Respect of Covered Rejected Agreements. When the Final Unsecured Payment Percentage has been determined for a given Estate, the Trustee on behalf of such Estate shall give notice to the Governing Entity of the following (in each case without taking into consideration the payments required to be made by the Governing Entity under this Section 5.9): (i) the aggregate amount of payments such Estate would be required to make under the Covered Rejected Agreements; (ii) the portion of the amount described in clause (i) that is properly classifiable as an unsecured claim against such Estate (the "Covered Unsecured Claim Amount"); (iii) the portion of the amount described in clause (i) that constitutes an administrative claim against such Estate (the "Covered Administrative Claim Amount"); and (iv) the portion of the amount described in clause (i) that constitutes a priority claim against such Estate (the "Covered Priority Claim Amount"). The Governing Entity Accountant shall have thirty (30) days to review the report reflected in such notice, and shall during such thirty (30) day period have access to the books and records of such Estate that are necessary to analyze and verify the figures and amounts reflected in such report. If the Governing Entity Accountant does not agree with the calculation or classification of any amounts reflected in such report, any such disagreements shall be referred to the Arbiter for resolution. The Arbiter shall resolve any such disagreements within a further period of thirty (30) days, and any such resolution shall be final, conclusive and binding upon the parties hereto. If the Governing Entity Accountant does not disagree with the calculations and classifications reflected in such report, or in the event of any such disagreements upon the resolution thereof by the Arbiter, within five (5) days after the thirtieth day following the giving of such notice of such report (or within five (5) days after the resolution of such disagreements by the Arbiter as applicable), the Governing Entity shall pay or cause to be paid to the Trustee on behalf of such Estate an amount equal to the sum of (i) the product of (x) 50% times (y) the Final Unsecured Payment Percentage applicable to such Estate times (z) the Covered Unsecured Claim Amount, and (ii) the product of (x) 50% times (y) the sum of Covered Administrative Claim Amount and the Covered Priority Claim Amount for such Estate.

5.10 Payment of Direct Costs. From and after the date hereof the Allegheny Entities shall promptly pay to the applicable Transferring Parties, not less frequently than monthly, all

amounts that represent charges for the direct cost of goods or services provided by any Person for the benefit of any Allegheny Entity, AUHS, AUMP or otherwise for the benefit of the Transferred Asset Businesses for periods after March 1, 1999. In no event shall any party other than the Allegheny Entities, including without limitation the Governing Entity, have any liability for the payment of any obligation described in this Section 5.10.

5.11 Litigation Support. In the event and for so long as any of the Transferring Parties or their Affiliates, the Trustee or the Unsecured Creditors Committee actively is pursuing, contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand in connection with any fact, circumstance, status, condition, practice, plan, occurrence, event, incident, action, failure to act, or transaction involving any of the Transferring Parties or their Affiliates or the Transferred Asset Businesses, each other party shall cooperate with him or it and with his or its counsel, and will make, at reasonable times and on reasonable notice, available their personnel, and provide such testimony and, at reasonable times and on reasonable notice, access to their books and records as shall be necessary in connection with the pursuit, contest or defense, all at the cost and expense of the pursuing, contesting or defending party.

5.12 Transition Services. At and subject to Closing, AHERF, the Governing Entity and certain of the Allegheny Entities shall enter into a transition services agreement (the "Transition Services Agreement") in form and substance satisfactory to the Transferring Parties and the Governing Entity.

5.13 Releases and Reconveyance. The Governing Entity will not and will cause its Affiliates not to enter into a settlement and release with a party to a Rejected AUMP Physician Agreement or a Rejected AUHS Physician Agreement unless the benefit of such settlement and release extends to and releases the Transferring Parties from all claims of such party. If within six months after the Closing the Governing Entity shall not have obtained such a release in favor of the Transferring Parties as to physician party to any Rejected AUMP Physician Agreement or Rejected AUHS Physician Agreement, the Governing Entity Physician Organization shall at the request of the Trustee convey back to the Estates (as directed by the Trustee) the tangible personal property utilized directly in the practice of such physician, without warranty or recourse, for consideration equal to \$10.

5.14 Public Announcements. No party, nor any of their Affiliates, shall make any public announcement with respect to this Settlement Agreement, the Affiliation Agreement or the transactions contemplated hereby or thereby without making a good faith effort to consult with the other parties.

5.15 RAP Matters. Notwithstanding anything to the contrary in this Settlement Agreement, the obligations of the parties, if any, with respect to the RAP Plan and any pension liabilities arising thereunder or in connection therewith shall be governed by the PBGC Agreement in the form attached as Exhibit 5.15. The Closing hereunder shall not occur except upon the simultaneous closing under the PBGC Agreement, and the terms of the PBGC Agreement shall survive the Closing hereunder notwithstanding anything to the contrary in this Settlement Agreement.

6. CONDITIONS PRECEDENT TO OBLIGATIONS OF THE TRANSFERRING PARTIES

The obligations of the Transferring Parties hereunder are subject to the reasonable satisfaction of the Transferring Parties that, on or prior to the Closing Date, the following conditions have been satisfied, unless waived in writing by the Transferring Parties (it being understood that, except for the conditions set forth in Section 6.5, which may be waived only with the consent of the PBGC, and for the condition set forth in Section 6.9(ii), which may not be waived, each of the following conditions may be deemed to be satisfied or may be waived only in the sole discretion of the Transferring Parties and neither the Transferring Parties nor any of their Affiliates shall have any liability or obligation to any other party hereto as a result of any determination of the Transferring Parties that any such condition has failed to be satisfied):

6.1 Representations and Warranties: Covenants.

(a) The representations and warranties of the Governing Entity contained in this Agreement shall be true and correct in all material respects on the Closing Date, as if made on and as of the Closing Date.

(b) The terms, covenants and agreements to be complied with or performed by the Governing Entity and the Allegheny Entities on or before the Closing Date shall have been complied with and performed, including without limitation the obligations of the Allegheny Entities pursuant to Section 5.10 and the obligations of the Governing Entity in Section 8.3.

6.2 Adverse Action or Proceeding. No action or proceeding before any Governmental Authority shall have been instituted or threatened to restrain or prohibit the transactions herein contemplated and shall continue to be pending, and there shall not be in effect any order restraining, enjoining or otherwise preventing consummation of the assignment, transfer and conveyance of the Transferred Assets and the other transactions contemplated hereunder.

6.3 Pre-Closing Confirmations. An order of the Bankruptcy Court authorizing the consummation of the transactions contemplated hereby shall have been entered that is reasonably satisfactory to the Transferring Parties, and such order shall have fixed the level of Cure Costs in accordance with Schedule 7.7(c) or otherwise in a manner satisfactory to the Transferring Parties. The Transferring Parties shall have obtained documentation or other evidence reasonably satisfactory to the Transferring Parties that (i) the Transferring Parties, the Allegheny Entities and the Governing Entity have received or will receive the other approvals, authorizations and clearances of Governmental Authorities and other Persons required of them or advisable in the judgment of the Transferring Parties or the Trustee or the Unsecured Creditors Committee to consummate the transactions contemplated hereby, the failure to receive which would violate the provisions of applicable law or expose any Transferring Party or the Governing Entity or any Allegheny Entity to any material liability; and (ii) all applicable waiting periods under the HSR Act have expired.

6.4 Deliveries at Closing. The Governing Entity, West Penn and the Allegheny Entities and AUH-West shall have delivered to the Transferring Parties or the Trustee, as applicable, in form reasonably acceptable to the Transferring Parties, the Trustee and the Unsecured Creditors Committee, all agreements, instruments, certificates or other documents required to be executed by the Governing Entity, West Penn or any Allegheny Entity or AUH-West pursuant to this Settlement Agreement.

6.5 PBGC Agreement. The parties to the PBGC Agreement other than the Transferring Parties shall have executed and delivered the PBGC Agreement in the form of Exhibit 5.15.

6.6 AUH-West. The corporate entity and unsatisfied liabilities of AUH-West shall have been dealt with in a manner satisfactory to the Transferring Parties, and AUH-West shall have delivered to and for the benefit of the Transferring Parties a release having the same effect as the release attached hereto as Exhibit 2.8(a).

6.7 No Adverse Effect on D&O Insurance. The Transferring Parties, the Trustee and the Unsecured Creditors Committee shall be satisfied that the performance of this Settlement Agreement or the Affiliation Agreement, or any of the transactions contemplated hereby or thereby, including without limitation the execution and delivery of stipulations and releases by any of the "Releasing Parties" as contemplated by Exhibit 2.1(ii) or Exhibit 2.8(a), shall not adversely affect the rights of the Transferring Parties, or any of them, the Trustee or the Unsecured Creditors Committee, or any of their respective Affiliates, under or in respect of any policy of insurance for claims that might be made against any Person in his capacity as a current or former director, officer, trustee, employee, agent or representative of any Transferring Party or their respective Affiliates.

6.8 West Penn Guarantee. West Penn shall have delivered to the Trustee on behalf of the Transferring Parties a guarantee, in form and substance reasonably satisfactory to the Trustee (including customary representations and warranties reasonably satisfactory to the Trustee), of the obligations of the Governing Entity under Section 5.9 and Section 5.13 and of the obligations of the Governing Entity Physician Organization pursuant to the Physician Entity Management and License Agreement, the Trustee shall have received the opinion of counsel to West Penn with respect to matters corresponding to those reflected in Schedule 8.3, and the Transferring Parties shall be satisfied in their discretion with the creditworthiness of West Penn.

6.9 Legal Matters. All legal matters affecting the transactions contemplated hereby shall be reasonably satisfactory to the Trustee, the Transferring Parties and the Unsecured Creditors Committee. Without limiting the generality of the foregoing, the Trustee, the Transferring Parties and the Unsecured Creditors Committee shall be reasonably satisfied that (i) the Attorney General of the Commonwealth of Pennsylvania shall have approved the terms of this Settlement Agreement, (ii) the approval of the Orphans' Court of the transfer of the Transferred Endowments and the other transactions contemplated hereby and by the Affiliation Agreement shall have been obtained, and (iii) that none of the Trustee, the Transferring Parties

and the Unsecured Creditors Committee will have any legal or equitable responsibility (statutory, in equity or at common law) for any of the Assumed Liabilities or any liabilities, debts or obligations of the Allegheny Entities.

6.10 Payment of Direct Costs. As of the Closing Date, the Allegheny Entities shall have paid to the applicable Transferring Parties all amounts that represent charges for the direct costs of goods or services provided by or for the account of any Transferring Party for the benefit of any Allegheny Entity, AUHS, AUMP or otherwise for the benefit of the Transferred Assets Businesses for periods after March 1, 1999.

6.11 Physician Entity Management and License Agreement. The Governing Entity Physician Organization shall have entered into an agreement (the "Physician Entity Management and License Agreement"), dated as of the Closing Date, in form and substance satisfactory to the Transferring Parties, pursuant to which (a) for the period between the Closing Date and the Credentialling Date, the Governing Entity Physician Organization agrees (i) to manage and administer, without compensation, the business of AUHS carried on through the Assigned AUHS Physician Agreements and the business of AUMP carried on through the Assigned AUMP Physician Agreements (including licensed physician extenders currently employed by AUHS or AUMP, the "Physician Practice Business"), (ii) to pay to AUHS or AUMP, as appropriate, when and as incurred, and on a basis such that AUHS and AUMP are not out-of-pocket, the cost of the fulfillment of the obligations of AUHS under and in respect of the Assigned AUHS Physician Agreements and of AUMP under and in respect of the Assigned AUMP Physician Agreements, (iii) to grant to AUHS a license permitting the physicians who are parties to the Assigned Physician Agreements to occupy the premises governed by the Assigned AUHS Real Property Leases and to grant to AUMP a license permitting the physicians who are parties to the Assigned AUMP Physician Agreements to occupy the premises covered by the Assigned AUMP Real Property Leases, all without any considerations, and (iv) to bear and hold AUHS and AUMP harmless from and against all risk of the conduct of the Physician Practice Business, provided that AUHS and AUMP comply with their obligations under the Physician Entity Management and License Agreement (without limiting the generality of the foregoing, it is understood that such agreement shall provide that, if the Governing Entity Physician Organization fails to fund on or prior to the due date any amount due from AUHS under or in respect of the Assigned AUHS Physician Agreements or any amount due from AUMP under or in respect of the Assigned AUMP Physician Agreements of which the Governing Entity Physician Organization has actual knowledge, then AUHS or AUMP, as applicable, shall be entitled to terminate the Assigned AUHS Physician Agreements or the Assigned AUMP Physician Agreements, as applicable, and the Governing Entity Physician Organization shall indemnify and hold harmless AUHS and AUMP from and against any and all liability, cost, expense or damage arising out of or relating to such termination), and (b) AUHS and AUMP agree (i) for the period between the Closing Date and the Credentialling Date, to authorize the Governing Entity Physician Organization to manage and administer, and to delegate to the Governing Entity Physician Organization the full discretion to manage and administer, to the full extent permitted by applicable law, the Physician Practice Business, (ii) for the period between the Closing Date and the Credentialling Date, to take all steps necessary on their respective parts to facilitate and implement such management and administration, and (iii) on the Credentialling

Date to transfer, assign and convey without representation or warranty and without recourse, all of their right, title and interest in and to the accounts receivable generated through the conduct of the Physician Practice Business during the period between the Closing Date and the Credentialing Date.

6.12 Transition Services Agreement. The Governing Entity shall have entered into the Transition Services Agreement, dated as of the Closing Date, in form and substance satisfactory to the Transferring Parties, for the provision of real estate, accounting and information services for a period of time after the Closing Date.

6.13 Covenant Regarding Suits. The Governing Entity shall have entered into a mutually acceptable covenant against lawsuits against former directors and officers of the Transferring Parties.

7. CONDITIONS PRECEDENT TO OBLIGATIONS OF THE GOVERNING ENTITY

The obligations of the Governing Entity hereunder are subject to the reasonable satisfaction of the Governing Entity on or prior to the Closing Date, that the following conditions have been satisfied, unless waived in writing by the Governing Entity (it being understood that, except for the conditions set forth in Section 7.12, which may be waived only with the consent of the PBGC, and for the condition set forth in Section 7.11(ii), which may not be waived, each of the following conditions may be deemed to be satisfied or may be waived only in the sole discretion of the Governing Entity, and that such conditions may fail of satisfaction as a result of a determination by Highmark that such conditions have not been met; neither the Governing Entity, Highmark or any of their Affiliates shall have any liability or obligation to any other party hereto as a result of any determination of the Governing Entity or Highmark that any such condition has failed to be satisfied):

7.1 Representations and Warranties; Covenants.

(a) The representations and warranties of the Transferring Parties contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date, as if made on such date, except to the extent that the failure of such representations and warranties (individually or in the aggregate) to be true and correct in all material respects would not materially interfere with the transfer and conveyance of the Transferred Assets to or as directed by the Governing Entity, and would not increase the Assumed Balance Sheet Liabilities beyond the level reflected on the AUHS/AUMP Balance Sheet by an amount in excess of \$1,500,000.

(b) The terms, covenants and agreements to be complied with or performed by the Transferring Parties on or before the Closing Date shall have been complied with and performed in all material respects, including without limitation the obligations of the Transferring Parties in Section 8.2.

7.2 Adverse Action or Proceeding. No action or proceeding by any Governmental Authority shall have been instituted seeking to restrain or prohibit the transactions herein contemplated and shall continue to be pending, and there shall not be in effect any order

restraining, enjoining or otherwise preventing consummation of the transfer of the Transferred Assets or the other transactions contemplated hereunder.

7.3 Pre-Closing Confirmations. The Governing Entity shall have obtained documentation or other evidence reasonably satisfactory to the Governing Entity that (i) the Transferring Parties and the Governing Entity have received or will receive all approvals, authorizations and clearances of Governmental Authorities and other Persons required of them or advisable in the judgment of the Governing Entity to consummate the transactions contemplated hereby, the failure to receive which would violate the provisions of applicable law or expose any Transferring Party or the Governing Entity to any material liability, including without limitation consents of the Governing Entity's governing bodies and consents of third parties required or deemed advisable by the Governing Entity in order for the Governing Entity to consummate the transactions contemplated hereby, including without limitation the consents of the holders of the long term indebtedness of The Western Pennsylvania Healthcare System, Inc. and its Affiliates; and (ii) all applicable waiting periods under the HSR Act have expired. Without limiting the generality of the foregoing, an order of the Bankruptcy Court shall have been obtained with respect to the transactions contemplated hereby and by the Affiliation Agreement, the terms of which and the procedures for entry of which are satisfactory to the Governing Entity and that, inter alia, does not by its terms allocate to the Allegheny Entities or the Governing Entity any responsibility for the payment of professional fees, and such order shall have become final and not be subject to a pending appeal.

7.4 Deliveries at Closing. The Transferring Parties shall have delivered to the Governing Entity, in form reasonably acceptable to the Governing Entity, all agreements, instruments, certificates or other documents required to be executed by any Transferring Party pursuant to this Agreement.

7.5 Affiliation Agreement. The transactions contemplated by the Affiliation Agreement shall have been consummated in all material respects in accordance with the terms and conditions of the Affiliation Agreement, a true, correct and complete copy of which as of the date hereof is attached hereto as Exhibit 7.5. It is acknowledged and agreed that, except for the conditions set forth in Section 7.7(a) of the Affiliation Agreement, which may be waived only with the consent of the PBGC, the conditions set forth in Article 7 of the Affiliation Agreement to the obligations of West Penn and the Governing Entity under the Affiliation Agreement may be deemed to be satisfied or may be waived in the sole discretion of the Governing Entity, and that such conditions may fail of reasonable satisfaction as a result of a determination by Highmark that such conditions have not been met. Neither the Governing Entity, Highmark nor any of their Affiliates shall have any liability or obligation to any other party hereto if the transactions contemplated by the Affiliation Agreement fail to close as a result of any determination of the Governing Entity or Highmark that any such condition has failed to be satisfied.

7.6 Release. AUH-West shall have delivered a release in favor of the Governing Entity, West Penn and the Allegheny Entities in form and substance satisfactory to the Governing Entity.

7.7 Absence of Accrued Deficits. The Governing Entity shall be reasonably satisfied that there are no obligations that are due and owing and that remain unpaid under the Assigned Contracts or the Transferred Grant Agreements other than (i) Assumed Liabilities, (ii) Cure Costs that are fully and accurately described on Schedule 7.7(c), (iii) to the extent permitted by the express terms hereof, obligations that are accruing in respect of the month in which the Closing Date occurs and that are not overdue and (vi) in the case of the Assigned AUHS Physician Agreements and the Assigned AUMP Physician Agreements, accrued amounts for incentive and bonus compensation for fiscal years 1998 and 1999 that are not in excess of the amounts reflected on Schedule 7.7(a) and Schedule 7.7(b), respectively. The order of the Bankruptcy Court described in Section 7.3 shall have fixed the level of Cure Costs in accordance with Schedule 7.7(c) or otherwise in a manner satisfactory to the Governing Entity.

7.8 Transferred Endowments. The Governing Entity shall be reasonably satisfied that, effective as of the Closing Date, the Transferring Parties, and the Trustee, for himself and on behalf of the AHERF Estate, shall have assigned, set over, transferred and conveyed to AGH or AUMC or as otherwise directed by the Governing Entity, gratuitously and without any consideration whatsoever, free and clear of liens, claims and Encumbrances, by an instrument satisfactory to the Governing Entity, all of the right, title and interest of the Transferring Parties and AHERF in and to the Transferred Endowments.

7.9 Physician Entity Management and License Agreement. AUHS and AUMP shall have entered into the Physician Entity Management and License Agreement in form and substance satisfactory to the Governing Entity.

7.10 Transition Services Agreement. The Transferring Parties shall have entered into a Transition Services Agreement in form and substance satisfactory to the Governing Entity.

7.11 Legal Matters. All legal matters affecting the transactions contemplated hereby shall be reasonably satisfactory to the Governing Entity. Without limiting the generality of the foregoing, the Governing Entity shall be reasonably satisfied that (i) the Attorney General of the Commonwealth of Pennsylvania shall have approved the terms of this Settlement Agreement, (ii) the approval of the Orphans' Court of the transfer of the Transferred Endowments, the confirmation of the legal title to the Confirmed Endowments and the other transactions contemplated hereby and by the Affiliation Agreement shall have been obtained, and (iii) none of the Governing Entity or any of the Allegheny Entities will have any legal or equitable responsibility (statutory, in equity or at common law) for any of the liabilities, debts or obligations of the Transferring Parties other than the Assumed Liabilities.

7.12 PBGC Agreement. The parties to the PBGC Agreement other than the Governing Entity shall have executed and delivered the PBGC Agreement in the form of Exhibit 5.15.

7.13 Covenant Regarding Suits. The Governing Entity and the Transferring Parties shall have mutually agreed upon the terms of the covenant contemplated by Section 6.13.

8. CLOSING: TERMINATION OF AGREEMENT

8.1 Closing. Consummation of the transactions contemplated by and described in this Agreement (the "Closing") shall take place at the offices of AGH at 10:00 a.m. on the first business day following reasonable satisfaction or waiver of the conditions set forth in Articles 6 and 7, or at such time or place as the parties may mutually agree. Unless otherwise agreed in writing by the parties at Closing, the Closing shall be effective for accounting purposes as of 12:01 A.M. on the day following the Closing Date.

8.2 Action of the Transferring Parties at Closing. At the Closing and unless otherwise waived in writing by the Governing Entity, the Transferring Parties shall deliver to or as directed by the Governing Entity:

(a) an instrument of approval executed by the Trustee as contemplated by Section 2.1(iv), and copies of such other documentation as is customary and appropriate to authorize and approve the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby;

(b) certificates of the duly authorized President, Vice President or other appropriate officer of each Transferring Party certifying that the representations and warranties of such Transferring Party contained in this Agreement are true and correct in all material respects on and as of the Closing Date, and that each and all of the terms, covenants and agreements to be complied with or performed by such Transferring Party on or before the Closing Date have been complied with and performed;

(c) the opinion dated the Closing Date of counsel to the Trustee with respect to the matters set forth on Schedule 8.2;

(d) physical possession of the Conveyed AUMP Real Property and the premises covered by the Assigned AHERF Real Property Leases, the Assigned AUHS Real Property Leases and the Assigned AUMP Real Property Leases; and

(e) possession of all tangible assets that are included in the Transferred Assets and are not located at the premises described in Section 8.2(d).

8.3 Action of the Governing Entity at Closing. At the Closing and unless otherwise waived in writing by the Transferring Parties, the Governing Entity shall deliver to the Transferring Parties:

(a) copies of resolutions duly adopted by the board of trustees or directors of the Governing Entity authorizing and approving the Governing Entity's execution and delivery of this Agreement and the transactions contemplated hereby, certified as true and in full force and effect as of the Closing Date by an appropriate officer of the Governing Entity;

(b) certificates of the duly authorized President or a Vice President or other appropriate officer of the Governing Entity certifying that the representations and warranties of the Governing Entity contained in this Agreement are true and correct in all material respects on and as of the Closing Date, and that each and all of the terms, covenants and agreements to be complied with or performed by the Governing Entity on or before the Closing Date have been complied with and performed; and

(c) the opinion dated the Closing Date of counsel to the Governing Entity with respect to the matters set forth on Schedule 8.3.

8.4 Termination Prior to Closing.

(a) Notwithstanding anything herein to the contrary, this Agreement may be terminated, and the transactions contemplated by this Agreement abandoned, upon notice by the terminating party to the other parties:

(i) at any time before the Closing, by mutual consent of the Governing Entity on the one hand, and the Transferring Parties, the Trustee and the Unsecured Creditors Committee on the other hand;

(ii) ~~by the Governing Entity on the one hand, or the Transferring Parties, the Trustee or the Unsecured Creditors Committee on the other hand,~~ if a court of competent jurisdiction or other Governmental Authority shall have issued a nonappealable final order, decree or ruling or taken any other action, in each case having the effect of permanently restraining, enjoining or otherwise prohibiting consummation of the transactions contemplated by this Agreement;

(iii) at any time before the Closing, by the Governing Entity on the one hand, or the Transferring Parties, the Trustee or the Unsecured Creditors Committee, on the other hand, in the event of material breach of this Agreement by the other (non-terminating) party or if the reasonable satisfaction of any condition to such party's obligations under this Agreement becomes impossible or impracticable with the use of all reasonable efforts and the failure of such condition to be satisfied is not caused by a breach by the terminating party (it being understood that no investigation or state of knowledge on the part of the Governing Entity or the Allegheny Entities, and no consent or approval that may be granted by the Governing Entity pursuant to Section 5.2 or otherwise, shall be deemed to cause a failure of the conditions expressed in Section 7.1); or

(iv) at any time after July 31, 1999, by the Governing Entity on the one hand or the Transferring Parties, the Trustee or the Unsecured Creditors Committee, on the other hand, if the transactions contemplated by this Agreement have not been consummated on or before such date.

(b) (1) If this Agreement is validly terminated pursuant to this Section 8.4, this Agreement will be null and void, and, except as provided in Section 8.4(b)(3), there will be no liability on the part of any party (or any of their respective officers, directors, trustees, employees, agents, consultants or other representatives).

(2) [Reserved.]

(3) If this Agreement is terminated pursuant to Section 8.4(a) and the basis for such termination is attributable to the breach by the Governing Entity of its representations, warranties, covenants or agreements hereunder, or if this Agreement is terminated by the Governing Entity because the closing under the Highmark Loan Agreement (as such term is defined in the Affiliation Agreement) does not occur, the Deposit Escrow Amount shall be forfeited to the Transferring Parties. Any such forfeiture shall constitute the sole remedy of the Transferring Parties in respect of any such breach.

8.5 Remedies. Except as provided in Section 8.4(b)(3), none of the parties hereto shall have any liability or obligation hereunder to the other parties hereto if this Agreement is terminated prior to the Closing for any reason whatsoever. The Governing Entity acknowledges and agrees that:

(i) the Transferring Parties do not have possession or control in all respects of the Transferred Assets or the operations of the Transferred Asset Businesses, or the books and records with respect thereto, and the Allegheny Entities control in some respects the Transferred Assets and the operations of the Transferred Asset Businesses and the books and records with respect thereto;

(ii) the representations and warranties of the Transferred Parties in this Settlement Agreement are based solely on the actual knowledge, without investigation, of the persons listed in Schedule 1.2 after review of such representations and warranties and the Schedules to this Settlement Agreement, which Schedules have been prepared by the Governing Entity and/or the Allegheny Entities based upon their knowledge and their due diligence review of the Transferred Assets and the Transferred Asset Businesses;

(iii) the representations and warranties made by the Transferring Parties under this Settlement Agreement are, except where qualified by knowledge of the Transferring Parties, made on an unqualified basis solely for the purposes of the condition to Closing described in Section 7.1(a);

(iv) the covenants of the Transferring Parties made in Section 5.1 and 5.2 are made for the purpose of the condition to Closing described in Section 7.1(b) and in no event shall any Transferring Party, the Trustee or the Unsecured Creditors Committee or any member thereof have any liability as the result of any action or failure to act by any Allegheny Entity;

(v) in no event shall the Trustee or the Unsecured Creditors Committee or any member thereof, or any of their respective consultants or professional advisors, or any

director, officer, employee, advisor, consultant or advisor of any of the Transferring Parties, have any personal liability as the result of the breach of any representation, warranty or covenant of the Transferring Parties under this Settlement Agreement;

(vi) the knowledge of management of the Transferring Parties and the Allegheny Entities shall not be imputed to the Trustee or the Estates; and

(vii) if the Governing Entity shall materially breach its obligations hereunder and this Settlement Agreement shall be terminated pursuant to Section 8.4(a)(iii), the Transferring Parties shall be entitled to receive the Deposit Escrow Amount as contemplated by Section 8.4(b)(3) as the sole remedy of the Transferring Parties in respect of such breach.

Each Transferring Party agrees that the costs and expenses of any Transferring Party arising out of or related to its obligations under this Agreement shall constitute actual, necessary costs and expenses of preserving the Estates, allowable as a cost of administration of the Estate under Section 503(b) of the Bankruptcy Code, and entitled to priority under Section 507(a)(1) of the Bankruptcy Code, and hereby consents to the entry by the Court of an order approving the provisions of this Settlement Agreement, including without limitation the provisions of this Section 8.5.

8.6 Action of the Allegheny Entities at Closing. At the Closing and unless otherwise waived in writing by the Transferring Parties, each of the Allegheny Entities and AUH-West shall deliver to the Transferring Parties:

(a) copies of resolutions duly adopted by the board of trustees or directors of the such entity authorizing and approving such entity's execution and delivery of this Agreement by such entity and the transactions contemplated hereby, certified as true and in full force and effect as of the Closing Date by an appropriate officer of such entity;

(b) certificates of the duly authorized President or a Vice President or other appropriate officer of such entity certifying that the representations and warranties of the Allegheny Entities contained in this Agreement are true and correct in all material respects on and as of the Closing Date, and that each and all of the terms, covenants and agreements to be complied with or performed by such entity on or before the Closing Date have been complied with and performed; and

(c) the opinion dated the Closing Date of counsel to such entity with respect to the matters set forth on Schedule 8.3.

9. [RESERVED.]

10. GENERAL

10.1 Non-Survival of Representations, Warranties and Agreements. None of the representations, warranties and agreements in this Agreement or in any other document or instrument delivered pursuant to this Agreement shall survive the Closing except for (i) the agreements in Sections 2.9, 2.11, 5.3, 5.5, 5.6, 5.7, 5.8, 5.9, 5.10, 5.11, 5.13, 5.14 and Article X, and (ii) those other agreements which by their express terms are to be performed after the Closing, including without limitation the Transition Services Agreement. It is understood that the stipulations and releases in the forms of Exhibit 2.1(a)(ii) and Exhibit 2.8(a) will survive the closing. Without limiting the generality of the foregoing, the Governing Entity acknowledges and agrees that, anything to the contrary herein notwithstanding, should the Closing occur, then the Transferred Assets shall from and after the Closing Date be deemed to have been assigned, transferred and conveyed absolutely "as is" and "where is" and without any representation or warranty whatsoever on the part of the Transferring Parties. To the extent that there is any shortfall in the Transferred Endowments, as of the Closing Date neither the Governing Entity nor any of the Transferring Parties nor any of their respective Affiliates shall have any responsibility in respect thereof hereunder, except to the extent of liabilities that expressly constitute Assumed Liabilities or Retained Liabilities (as applicable). Notwithstanding the foregoing, it is acknowledged that the provisions of the PBGC Agreement shall survive the Closing.

10.2 Tax and Government Reimbursement Program Effect. None of the parties (nor such parties' counsel or accountants) has made or is making in this Agreement any representation to any other party (or such party's counsel or accountants) concerning any of the Tax effects or consequences on the other party of the transactions provided for in this Agreement (provided that nothing in this Section 10.2 shall limit or restrict the representations and warranties of the Transferring Parties hereunder). Each party represents that it has obtained, or may obtain, independent Tax advice with respect thereto and upon which it, if so obtained, has solely relied or will solely rely.

10.3 Consents, Approvals and Discretion. Except as herein expressly provided to the contrary, whenever this Agreement requires any consent or approval to be given by either party or either party must or may exercise discretion, such consent or approval shall not be unreasonably withheld or delayed and such discretion shall be reasonably exercised.

10.4 Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to conflicts of laws rules.

10.5 Benefit; Assignment. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. No waiver of the conditions set forth in Sections 6.5 and 7.12 and no amendment of Section 5.15 shall be effective without the prior written consent of the PBGC, and the PBGC shall be entitled to enforce the provisions of Section 5.15. No party may assign this Agreement without the prior written consent of the

other parties. Except from and after the Closing as expressly provided in the guarantee described in Section 6.8, in no event shall West Penn be liable or responsible for any acts or omissions of the Governing Entity.

10.6 No Third Party Beneficiary. Except as provided in Section 10.5, the terms and provisions of this Agreement are intended solely for the benefit of the parties and their respective successors and permitted assigns, and are not intended to confer third-party beneficiary rights upon any other Person. Notwithstanding the foregoing, Highmark shall be a third party beneficiary of the provisions hereof which name Highmark.

10.7 Waiver of Breach, Right or Remedy. The waiver by any party of any breach or violation by another party of any provision this Agreement or of any right or remedy permitted the waiving party in this Agreement (i) shall not waive or be construed to waive any subsequent breach or violation of the same provision, (ii) shall not waive or be construed to waive a breach or violation of any other provision, and (iii) shall be in writing and may not be presumed or inferred from any party's conduct. Except as expressly provided otherwise in this Agreement no remedy conferred by this Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be in addition to every other remedy granted in this Agreement or now or hereafter existing at law or in equity, by statute or otherwise. The election of any one or more remedies by a party shall not constitute a waiver of the right to pursue other available remedies. In addition to any other rights and remedies any party may have at law or in equity for breach of this Agreement, each party shall be entitled to seek an injunction to enforce the provisions of this Agreement.

10.8 Notices. Any notice, demand or communication required, permitted or desired to be given hereunder shall be deemed effectively given if given in writing (i) on the date tendered by personal delivery, (ii) on the date received by facsimile or other electronic means (including telegraph and telex), (iii) the day after tendered for delivery by nationally recognized overnight courier, or (iv) three days after tendered for delivery by United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, in any event addressed as follows:

If to the Governing Entity:

The Healthcare Alliance for Western Pennsylvania, Inc.
c/o The Western Pennsylvania Healthcare System, Inc.
4800 Friendship Avenue
Pittsburgh, PA 15224
Attn: Jerry J. Fedele, Esq.
Facsimile: (412) 578-1296

with a copy to:

Kalkines, Arky, Zall & Bernstein LLP
1675 Broadway
New York, N.Y. 10019
Attn: Peter F. Olberg, Esq.
Facsimile: (212) 541-9250

If to the Transferring Parties or the Trustee:

William J. Scharffenberger
Chapter 11 Trustee of Allegheny Health,
Education and Research Foundation
D.L. Clark Building, 2nd Floor
503 Martindale Street
Pittsburgh, PA 15212
Facsimile: (412) 442-7550

with a copy to:

Alan B. Hyman, Esq.
Proskauer, Rose
1585 Broadway
New York, NY 10036-8299
Facsimile: (212) 969-2900

with a copy to:

David G. Heiman, Esq.
Jones, Day, Reavis & Pogue
North Point
901 Lakeside Avenue
Cleveland, OH 44114
Facsimile: (216) 586-7975

If to the Unsecured Creditors Committee:

David G. Heiman, Esq.
Jones, Day, Reavis & Pogue
North Point
901 Lakeside Avenue
Cleveland, OH 44114
Facsimile: (216) 586-7975

with a copy to:

Alan B. Hyman, Esq.
Proskauer, Rose
1585 Broadway
New York, NY 10036-8299
Facsimile: (212) 969-2900

or to such other address or number, and to the attention of such other Person, as a given party may designate at any time in writing in conformity with this Section.

10.9 Severability. If any provision of this Agreement, the Affiliation Agreement or the PBGC Agreement is held or determined to be illegal, invalid or unenforceable under any law, and if the rights or obligations of any party under this Agreement will not, in the sole discretion of each of the Governing Entity and the Transferring Parties, be materially and adversely affected thereby: (a) such provision will be fully severable; (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof; (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom; and (d) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

10.10 Entire Agreement; Amendment. This Agreement supersedes the Letter of Intent (except for the provisions of Section 4 thereof as to confidentiality, which shall continue to bind the parties thereto) and all previous contracts, agreements and understandings and constitutes the entire agreement of whatsoever kind or nature existing between or among the parties representing the within subject matter and no party shall be entitled to benefits other than those specified herein and in paragraph 4 of the Letter of Intent. The parties intend that this Agreement, the PBGC Agreement, the Transition Services Agreement, and the stipulations and releases contemplated to be delivered at Closing by Article II be treated as a single integrated transaction and are in effect a single transaction, and the PBGC Agreement, the Transition Services Agreement and such releases are incorporated by reference herein. This Agreement may be executed in two or more counterparts, each and all of which shall be deemed an original and all of which together shall constitute but one and the same instrument. This Agreement may not be amended except in a written instrument executed by the parties. This Agreement shall not be effective until it has been executed and delivered by all parties hereto. The transmission of a facsimile of a signature of a party on the signature page of this Agreement shall have the

same effect as delivery of a manually signed original of a counterpart hereof.

10.11 Waiver of Jury Trial. The parties hereto hereby irrevocably waive all right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in multiple originals by their duly authorized officers as of the date set forth above.

ALLEGHENY GENERAL HOSPITAL

ALLEGHENY UNIVERSITY MEDICAL CENTER

By: [Signature]
Title: [Title]

By: _____
Title: _____

ALLEGHENY UNIVERSITY HOSPITALS - WEST

ALLEGHENY UNIVERSITY MEDICAL PRACTICES

By: _____
Title: _____

By: _____
Title: _____

ALLEGHENY UNIVERSITY HOSPITALS - EAST

ALLEGHENY HOSPITAL, CENTENNIAL

By: _____
Title: _____

By: _____
Title: _____

THE BANKRUPTCY ESTATE OF ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

ALLEGHENY UNIVERSITY OF THE HEALTH SCIENCES

By: _____
Title: _____

By: _____
Title: _____

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KALKINES ARMY ZALL, ETC.

06/28/99

same effect as delivery of a manually signed original of a counterpart document.

10.11 Waiver of Jury Trial. The parties hereby irrevocably waive all right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in multiple originals by their duly authorized officers as of the date set forth above.

ALLEGHENY GENERAL HOSPITAL

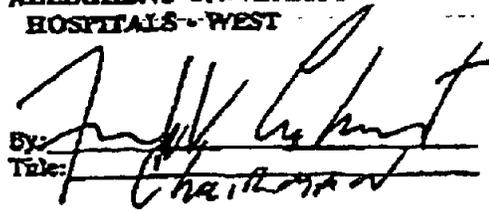
ALLEGHENY UNIVERSITY MEDICAL CENTER

By: _____
Title: _____

By: _____
Title: _____

ALLEGHENY UNIVERSITY HOSPITALS - WEST

ALLEGHENY UNIVERSITY MEDICAL PRACTICES

By: 
Title: Chairman

By: _____
Title: _____

ALLEGHENY UNIVERSITY HOSPITALS - EAST

ALLEGHENY HOSPITAL, CENTRAL

By: _____
Title: _____

By: _____
Title: _____

THE BANKRUPTCY ESTATE OF ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

ALLEGHENY UNIVERSITY OF THE HEALTH SCIENCES

By: _____
Title: _____

By: _____
Title: _____

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same effect as delivery of a manually signed original of a counterpart hereof.

10.11 Waiver of Jury Trial. The parties hereto hereby irrevocably waive all right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in multiple originals by their duly authorized officers as of the date set forth above.

ALLEGHENY GENERAL HOSPITAL

ALLEGHENY UNIVERSITY MEDICAL CENTER

By: _____
Title: _____

By: _____
Title: _____

ALLEGHENY UNIVERSITY HOSPITALS - WEST

ALLEGHENY UNIVERSITY MEDICAL PRACTICES

By: _____
Title: _____

By: Charles P. Mauson
Title: Liquidating Officer

ALLEGHENY UNIVERSITY HOSPITALS - EAST

ALLEGHENY HOSPITAL, CENTENNIAL

By: Charles P. Mauson
Title: Liquidating Officer

By: Charles P. Mauson
Title: Liquidating Officer

THE BANKRUPTCY ESTATE OF ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

ALLEGHENY UNIVERSITY OF THE HEALTH SCIENCES

By: _____
Title: _____

By: Charles P. Mauson
Title: Liquidating Officer

same effect as delivery of a manually signed original of a counterpart hereof.

10.11 Waiver of Jury Trial. The parties hereto hereby irrevocably waive all right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in multiple originals by their duly authorized officers as of the date set forth above.

ALLEGHENY GENERAL HOSPITAL

ALLEGHENY UNIVERSITY MEDICAL CENTER

By: _____
Title: _____

By: _____
Title: _____

ALLEGHENY UNIVERSITY HOSPITALS - WEST

ALLEGHENY UNIVERSITY MEDICAL PRACTICES

By: _____
Title: _____

By: _____
Title: _____

ALLEGHENY UNIVERSITY HOSPITALS - EAST

ALLEGHENY HOSPITAL, CENTENNIAL

By: _____
Title: _____

By: _____
Title: _____

THE BANKRUPTCY ESTATE OF ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

ALLEGHENY UNIVERSITY OF THE HEALTH SCIENCES

By: William J. [Signature]
Title: _____

By: _____
Title: _____

same effect as delivery of a manually signed original of a counterpart hereof.

10.11 Waiver of Jury Trial. The parties hereto hereby irrevocably waive all right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in multiple originals by their duly authorized officers as of the date set forth above.

ALLEGHENY GENERAL HOSPITAL

ALLEGHENY UNIVERSITY MEDICAL CENTER

By: _____
Title: _____

By: Henry F. Cook
Title: Pres & CEO

ALLEGHENY UNIVERSITY HOSPITALS - WEST

ALLEGHENY UNIVERSITY MEDICAL PRACTICES

By: _____
Title: _____

By: _____
Title: _____

ALLEGHENY UNIVERSITY HOSPITALS - EAST

ALLEGHENY HOSPITAL, CENTENNIAL

By: _____
Title: _____

By: _____
Title: _____

THE BANKRUPTCY ESTATE OF ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

ALLEGHENY UNIVERSITY OF THE HEALTH SCIENCES

By: _____
Title: _____

By: _____
Title: _____

THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS

By: David P. Deamon
Title: Chairman of Official Committee

ALLEGHENY SINGER RESEARCH INSTITUTE

By: _____
Title: _____

THE HEALTHCARE ALLIANCE FOR
WESTERN PENNSYLVANIA, INC.

By: _____
Title: _____

NO. 6283 P. 5/020

WALKERS, ARMY, ZOLL, ETC.

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By: _____
Title: _____

ALLEGHENY SINGER RESEARCH INSTITUTE

By: *[Signature]*
Title: *CEO*

THE HEALTHCARE ALLIANCE FOR WESTERN PENNSYLVANIA, INC.

By: _____
Title: _____

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THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS

By: _____
Title: _____

ALLEGHENY SINGER RESEARCH INSTITUTE

By: _____
Title: _____

THE HEALTHCARE ALLIANCE FOR
WESTERN PENNSYLVANIA, INC.

By: Charles W. Brown
Title: _____

Ex 5

AFFILIATION AGREEMENT

BY AND AMONG

ALLEGHENY UNIVERSITY HOSPITALS - WEST,

ALLEGHENY GENERAL HOSPITAL,

ALLEGHENY UNIVERSITY MEDICAL CENTERS,

AUMC - CANONSBURG,

ALLEGHENY SINGER RESEARCH INSTITUTE;

AND

THE HEALTHCARE ALLIANCE FOR WESTERN PENNSYLVANIA, INC.

Dated as of June 30, 1999

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AFFILIATION AGREEMENT

This Affiliation Agreement ("Agreement") is made and entered into as of this 30th day of June, 1999, by and among Allegheny University Hospitals-West, a Pennsylvania non-profit corporation ("AUH West"), Allegheny General Hospital, a Pennsylvania non-profit corporation ("AGH"), Allegheny University Medical Centers, a Pennsylvania non-profit corporation ("AUMC"), AUMC-Canonsburg, a Pennsylvania non-profit corporation ("AUMC-Canonsburg") and Allegheny Singer Research Institute, a Pennsylvania non-profit corporation ("ASRI" and, together with AGH, AUMC and AUMC-Canonsburg, collectively, the "Allegheny Entities"; each an "Allegheny Entity"), on the one hand, and The Healthcare Alliance for Western Pennsylvania, Inc., a Pennsylvania non-profit corporation (the "Governing Entity"), on the other hand.

WITNESSETH

WHEREAS, each of AUH-West, the Allegheny Entities and the Governing Entity are tax exempt charitable organizations which have the common mission of providing quality health care services and medical education in a charitable and efficient manner; and

WHEREAS, the Allegheny Entities are seeking to preserve their historic and current mission to provide charitable healthcare in the western Pennsylvania region; and

WHEREAS, the Governing Entity is willing to extend its governance and fiduciary stewardship to include the Allegheny Entities and is willing to commit funds to preserve the charitable and academic missions of the Allegheny Entities; and

WHEREAS, the Allegheny Entities and the Governing Entity have concluded that an affiliation with each other provides the best opportunity to enable the Governing Entity and each Allegheny Entity to preserve their charitable mission for the benefit of the residents of the Commonwealth of Pennsylvania.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, and intending to be legally bound hereby, the parties agree as follows.

I. DEFINITIONS AND REFERENCES

1.1 DEFINITIONS AND REFERENCES. As used in this Agreement, and unless the context requires a different meaning, the following terms have the meanings given:

Accreditation Bodies: any Government Authority, or private non-profit organization, that reviews and, based thereon, licenses or accredits hospitals or other health care facilities, including without limitation the Department of Health of the Commonwealth of Pennsylvania,

the Joint Commission on Accreditation of Healthcare Organizations and the American Council on Graduate Medical Education;

Affiliate: any Person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with another Person, where "control" includes the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of securities, the possession of membership authority, election or appointment of directors, by contract or otherwise;

Affiliated Group: any affiliated group within the meaning of Code Sec. 1504;

Agreement: this Affiliation Agreement and all Exhibits and Schedules attached hereto or delivered separately to the Governing Entity as contemplated hereby, as amended, consolidated, supplemented, novated or replaced by the parties from time to time;

AHERF: Allegheny Health, Education and Research Foundation, a Pennsylvania non-profit corporation;

AHSPIC: Allegheny Healthcare Providers Insurance Company, a Cayman Islands company;

Allegheny Entities: AGH, AUMC, AUMC-Canonsburg and ASRI;

Allegheny Entities' Endowment and Grant Accounts: special accounts administered and maintained by the Allegheny Entities with respect to the Endowments and Grants;

Articles: articles of this Agreement;

ASRI: Allegheny Singer Research Institute, a Pennsylvania non-profit corporation;

Assets: all assets, real, personal and mixed, tangible and intangible, owned by the Allegheny Entities, to be transferred or conveyed by AUH-West pursuant to this Agreement or to be transferred or conveyed by AHERF, AUMP or AUHS pursuant to the Global AHERF Settlement Agreement, and including the Transferred Assets;

Audited Financial Statements: the audited consolidated balance sheets of AGH and AUMC as of June 30, 1998, and the audited consolidated statements of revenue and expenses, and audited consolidated statement of cash flows for the fiscal year then ended, together with the notes thereto and the report thereon of KPMG Peat Marwick LLP, independent certified public accountants;

AGH: Allegheny General Hospital, a Pennsylvania non-profit corporation;

ASRI Financial Statements: the audited consolidated balance sheets of ASRI as of June 30, 1998, and the audited consolidated statements of revenue and expenses, and audited

consolidated statement of cash flows for the fiscal year then ended, together with the notes thereto and the report thereon of KPMG Peat Marwick LLP, independent certified public accountants;

AUH-West: Allegheny University Hospitals–West, a Pennsylvania non-profit corporation;

AUHS: Allegheny University of the Health Sciences, a Pennsylvania non-profit corporation;

AUMC: Allegheny University Medical Centers, a Pennsylvania non-profit corporation;

AUMC–Canonsburg: AUMC–Canonsburg, a Pennsylvania non-profit corporation, the sole corporate member of which is AUMC;

AUMP: Allegheny University Medical Practices, a Pennsylvania non-profit corporation;

AUMP/AUHS Balance Sheet: the meaning ascribed to such term in the Global AHERF Settlement Agreement;

Businesses: all businesses owned, leased, managed or otherwise operated or conducted by the Allegheny Entities, or by AUH-West, AUMP or AUHS using the Transferred Assets, and including the Transferred Assets Businesses;

Carved-Out Transactions: Any sale of the interest of any Allegheny Entity in Forbes Metropolitan Hospital or Gateway Health Plan, L.P.;

Closing: defined in Section 8.1;

Closing Date: the date on or as of which the Closing occurs;

Code: the Internal Revenue Code of 1986, as amended;

Contracts: all commitments, contracts, leases, licenses, agreements and understandings, written or oral, relating to the Assets or the operation of the Businesses to which AUH-West, any Allegheny Entity, AUMP or AUHS is a party or by which it or any of the Assets are bound, including agreements with payers, physicians and other providers, agreements with health maintenance organizations, independent practice associations, preferred provider organizations and other managed care plans and alternative delivery systems, Grant Agreements, joint venture and partnership agreements, management, employment, retention and severance agreements, vendor agreements, real and personal property leases and schedules, maintenance agreements and schedules, and agreements with municipalities and labor organizations;

Controlled Group: with respect to any Allegheny Entity, a group consisting of each trade or business (whether or not incorporated) which, together with such Allegheny Entity, would

be deemed a "single employer" within the meaning of section 4001(b)(1) of ERISA or subsections (b), (c), (m) or (o) of Section 414 of the Code;

Cost Reports: all cost and other reports filed pursuant to the requirements of the Government Reimbursement Programs, the Non-Governmental Payor Programs or any Grant Providers, or any Governmental Authorities not constituting Grant Providers, for payment or reimbursement of amounts due from them;

Employee Benefit Plan: any (1) nonqualified deferred compensation or retirement plan or arrangement which is an Employee Pension Benefit Plan, (2) qualified defined contribution retirement plan or arrangement which is an Employee Pension Benefit Plan (including any Multiemployer Plan), (3) qualified defined benefit retirement plan or arrangement which is an Employee Pension Benefit Plan (including any Multiemployer Plan), or (4) Employee Welfare Benefit Plan or material fringe benefit plan or program that any Allegheny Entity or any member of the Controlled Group that includes any Allegheny Entity is or has been a sponsor of or party to, maintains or has maintained or to which it contributes or has contributed (including employee elective deferrals), or is or was required to contribute;

Employee Pension Benefit Plan: an Employee Benefit Plan defined in ERISA Sec. 3(2);

Employee Welfare Benefit Plan: an Employee Benefit Plan defined in ERISA Sec. 3(1);

Encumbrances: liabilities, levies, claims, charges, assessments, mortgages, security interests, liens, pledges, conditional sales agreements, title retention contracts, leases, subleases, rights of first refusal, options to purchase, restrictions and other encumbrances, and agreements or commitments to create or suffer any of the foregoing;

Endowment and Grant Accounts: specially created escrow accounts to be administered by the Governing Entity in accordance with the terms and conditions of the Endowment and Grant Restrictions and applicable Legal Requirements;

Endowment and Grant Restrictions: the terms and conditions of the underlying Endowments, Grants and Grant Agreements and any Legal Requirements associated therewith;

Endowments: any and all cash or cash equivalents or other property of any kind, together with the proceeds thereof, that has been contributed or has been committed to be contributed to the Allegheny Entities or, in the case of the Transferred Endowments, AHERF, AUHS or AUMP for any purpose whatsoever pursuant to Endowment and Grant Restrictions, including the Transferred Endowments;

Environmental Claim: any notice by a Person alleging potential liability (including potential liability for investigatory costs, cleanup costs, Governmental Authority response costs, natural resource damages, property damages, personal injuries, or penalties) arising out of, based on or resulting from (1) the presence, or release into the environment, of any Materials of Environmental Concern at any location, whether or not owned by the Allegheny Entities, or

(2) circumstances forming the basis of any violation, or alleged violation, of any Environmental Laws;

Environmental Laws: any and all Legal Requirements relating to pollution or protection of human health or the environment (including ground water, land surface or subsurface strata), including Legal Requirements relating to emissions, discharges, releases or threatened releases of Materials of Environmental Concern, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, recycling, reporting or handling of Materials of Environmental Concern;

ERISA: the Employee Retirement Income Security Act of 1974, as amended;

ERISA Fiduciary: defined in ERISA Section 3(21);

Estates: the meaning ascribed to such term in the Global AHERF Settlement Agreement;

Financial Statements: the Audited Financial Statements and the Interim Financial Statements;

GAAP: generally accepted accounting principles consistently applied.

Global AHERF Settlement Agreement: The Settlement Agreement, by and among the Allegheny Entities, AUH-West, the Trustee, Allegheny Hospitals-East, Allegheny Hospitals-Centennial, AUMP, AUHS, the Official Committee of Unsecured Creditors of certain of the foregoing, and the Governing Entity;

Governing Entity: The Healthcare Alliance for Western Pennsylvania, Inc., a Pennsylvania non-profit corporation;

Governmental Authorities: all agencies, authorities, bodies, boards, commissions, courts, instrumentalities, legislatures and offices of any nature whatsoever of any federal, state, county, district, municipal, city, foreign or other government or quasi-government unit or political subdivision, and private arbitration panels or dispute resolution makers;

Government Reimbursement Programs: federal and state Medicare, Medicaid and CHAMPUS programs, and similar or successor programs with or for the benefit of Governmental Authorities;

Grant Agreement: a contract with a Grant Provider, the terms and conditions of which govern the funding of specific activities, including research and education, for the use by or benefit of one or more of the Allegheny Entities, or AUHS, AUMP or AHERF;

Grant Provider: any Governmental Authority, private non-profit organization or trust, or other Person providing Grants to the Allegheny Entities, or to AUHS for the use by or benefit

of one or more of the Allegheny Entities or AUHS, for the conduct of research, education or other non-profit or charitable activities;

Grants: any and all grants, honoraria, prizes and any other funds or property of any kind that have been awarded or otherwise committed to any of the Allegheny Entities or to AUHS, AUMP or AHERF to be used by the Allegheny Entities for a defined project, research area or other specified purpose;

Highmark: Highmark Inc., d/b/a Highmark Blue Cross Blue Shield, a Pennsylvania non-profit corporation;

Highmark Credit Agreement: The credit agreement, entered into or to be entered into by and between Highmark, the Governing Entity and certain other parties;

Hill-Burton Act: the Public Health Service Act, 42 U.S.C. Section 291, *et seq.*;

HSR Act: the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;

Immaterial Contracts: Any Contract that (i) requires the future payment by any Allegheny Entity of cumulative value of \$20,000 or less or the future performance by any Allegheny Entity of services having a cumulative value of \$20,000 or less, or (ii) requires the future payment by any Allegheny Entity of cumulative value of \$50,000 or less, or the future performance by any Allegheny Entity of services having a cumulative value of \$50,000 or less, and that is terminable by the respective Allegheny Entity at any time, without cause and without liability for any termination fee or other similar charge, on the part of the respective Allegheny Entity upon notice of 90 days or less;

Indebtedness: any and all indebtedness, obligations or liabilities of any Allegheny Entity for or in respect of: (i) borrowed money, (ii) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (iii) reimbursement obligations under any letter of credit, currency swap agreement, interest rate swap, cap, collar or floor agreement or other interest rate management device, (iv) any other transaction (including forward sale or purchase agreement, capitalized leases and conditional sales agreements) having the commercial effect of a borrowing of money entered into by any Allegheny Entity (but not including trade payables and accrued expenses incurred in the ordinary course of business which are not represented by a promissory note or other evidence of indebtedness); or (v) the obligations of any third party, pursuant to a guaranty, surety relationship, contractual indemnity or otherwise;

Intellectual Properties: all marks, names (including "Allegheny University Hospitals," "Allegheny University Hospitals - West," "Allegheny General Hospital," "AGH," "Allegheny University Medical Centers," "AUMC," "AUMC - Canonsburg," "Canonsburg General Hospital," "AUMC - Allegheny Valley," "Allegheny Valley Hospital," "Forbes Hospital," "Forbes Regional" and "Forbes Hospice" and all variations of the foregoing), trademarks, service marks, patents, patent rights, assumed names, logos, copyrights, trade secrets and similar intangibles (including variants thereof and applications therefor) used in the Businesses;

Interim Financial Statements: the unaudited financial statements of AGH and AUMC for the four months ended October 31, 1998;

Investment: shares of capital stock of any corporation, interests in partnerships or limited liability companies, or other equity or debt instruments issued by any Person, other than such investments that relate to Endowments and Grants or are short-term investments of Unrestricted Cash, and proceeds from the sale thereof;

IRS: the Internal Revenue Service;

Legal Requirements: with respect to any Person, all statutes, laws (including common law), ordinances, by-laws, codes, rules, regulations, restrictions, orders, judgments, writs, injunctions, decrees, permits, concessions, grants, franchises, licenses, determinations or awards of any Governmental Authority having jurisdiction over such Person or any of such Person's assets or businesses;

Letter of Intent: the letter of intent, dated March 1, 1999, by and among the Governing Entity, the Allegheny Entities, AUH-West, the Trustee of AHERF as trustee and on behalf of the AHERF Estate, Allegheny Hospitals - East and Allegheny Hospitals, Centennial;

Management Agreement: such management services agreement as may be entered into after the date hereof by The Western Pennsylvania Healthcare System, Inc., as management services provider, on the one hand, and AGH and AUMC as the recipient of such services on the other hand;

Material Adverse Effect: the meaning ascribed to such term in Section 7.1(a);

Materials of Environmental Concern: any hazardous or toxic material, substance, or product or any pollutant or contaminant, whether or not defined as such under any Environmental Law, including without limitation, any asbestos containing material; petroleum product, derivative, compound or mixture; polychlorinated byphenyls; radioactive material; lead-containing products; and any other substance which is prohibited by applicable law, which may require removal, remediation, and/or encapsulation by applicable law, or which may require a permit or special handling in its use, collection, storage, treatment or disposal;

Multiemployer Plan: defined in ERISA section 3(37) or section 4001(a)(3);

Multiple Employer Plan: an Employee Pension Benefit Plan which is not a Multiemployer Plan and for which a Person who is not a member of a Controlled Group that includes any Allegheny Entity is or has been a contributing sponsor;

Non-Governmental Payor Programs: third party payor agreements and payment and reimbursement programs with a commercial insurer, managed care organization or health benefits plan, including without limitation such agreements and programs with Highmark Blue Cross Blue Shield, HealthAmerica or Aetna U.S. Healthcare, and any direct employer

agreements or programs for the payment of the costs of medical services rendered to employees of such employer, including without limitation the workers' compensation program for employees of the City of Pittsburgh;

Other Plan: any Contract, program or arrangement which provides cash or non-cash benefits or perquisites to current or former employees of any Allegheny Entity that any Allegheny Entity or any member of the Controlled Group that includes any Allegheny Entity has been a sponsor of or, party to, maintains or to which it contributes (including employee elective deferrals), or is required to contribute, but which is not an Employee Benefit Plan ;

Party: any party to this Agreement, its successors and assigns;

PBGC: the Pension Benefit Guaranty Corporation;

PBGC Agreement: the agreement by and among the PBGC, the Governing Entity, the Allegheny Entities, AUH-West, the Trustee and the Estates with respect to the RAP Plan in the form of Exhibit 5.9 (it being understood that, if such agreement is not executed as of the date hereof, it will be attached hereto as Exhibit 5.9 when executed and prior to the Closing);

Permitted Personal Property Encumbrances: (i) those Encumbrances described in Schedule 3.9, or (ii) liens for taxes not yet due and payable; --

Permitted Real Property Encumbrances: (i) those Encumbrances described in the title policies referenced on Schedule 3.10, or (ii) liens for taxes not yet due and payable;

Person: any individual, company, body corporate, association, partnership, limited liability company, firm, joint venture, trust, trustee or Governmental Authority;

Prohibited Transaction: defined in ERISA Sec. 406 and Code Sec. 4975;

RAP Plan: the Retirement Account Plan for Employees of Allegheny Health, Education and Research Foundation for certain employees of AHERF or Affiliates;

Real Property: all real property owned or leased by the Allegheny Entities, including but not limited to the real property described on Schedule 3.10, together with all buildings, improvements and fixtures thereon and all appurtenances and rights thereto;

Reportable Event: defined in ERISA Sec. 4043;

Restricted Assets: all Restricted Cash, Endowments and Grants;

Restricted Cash: all cash and cash equivalents that are subject to Endowment and Grant Restrictions;

Sections: sections of the Agreement;

Tax: any federal, state, local, foreign or other income (net or gross), unrelated business income, gross receipts, license, payroll, wage, employment, excise, severance, stamp, occupation, privilege, premium, windfall profits, environmental (including taxes under Code Sec. 59A), customs duties, capital, capital stock, franchise, profits, withholding, social security, unemployment, disability, real property, personal property, intangible, stamp, sales, use, services, ad valorem, transfer, registration, unclaimed property, value added, alternative or add-on minimum, estimated or other tax, assessment, charge, levy or fee of any kind whatsoever, including payments or services in lieu of Taxes, interest or penalties on and additions to all of the foregoing, which are due or alleged to be due to any Governmental Authority, whether disputed or not;

Tax Return: any return, declaration, report, claim for refund, information return or statement, including schedules and attachments thereto and amendments, relating to taxes;

Transferred Assets: the meaning ascribed to such term in the Global AHERF Settlement Agreement;

Transferred Assets Businesses: the meaning ascribed to such term in the Global AHERF Settlement Agreement;

Transferred Endowments: the meaning ascribed to such term in the Global AHERF Settlement Agreement;

Transferred Grants: the meaning ascribed to such term in the Global AHERF Settlement Agreement;

Trustee: William Scharffenberger as trustee of AHERF and any successor to Mr. Scharffenberger in such capacity;

Unrestricted Cash: all cash and cash equivalents, including unrestricted short-term investments, other than Restricted Cash;

Working Capital Loan Agreement: that certain Working Capital Loan Agreement, dated as of April 29, 1999, by and between The Western Pennsylvania Hospital, as Lender, and AGH, as Borrower.

1.2 **Certain References**. As used in this Agreement, and unless the context requires otherwise:

- (a) references to "include" or "including" mean including without limitation;
- (b) references to "partners" include general and limited partners of partnerships and members of limited liability companies;

(c) references to “partnerships” include general and limited partnerships, joint ventures and limited liability companies;

(d) references to “hereof”, “herein” and derivative or similar words refer to this Agreement;

(e) references to any document are references to that document as amended, consolidated, supplemented, novated or replaced by the parties thereto from time to time;

(f) references to any law are references to that law as amended, consolidated, supplemented or replaced from time to time and all rules and regulations promulgated thereunder;

(g) references to time are references to Pittsburgh, Pennsylvania time;

(h) references in this Agreement to the “knowledge” of the Allegheny Entities or variants thereof (including “best knowledge”) mean the actual knowledge of each of the Persons whose names or positions are set forth in Schedule 1.2;

(i) the gender of all words includes the masculine, feminine and neuter, and the number of all words includes the singular and plural; and

(j) the divisions of this Agreement into articles, sections and subsections and the use of captions and headings in connection therewith are solely for convenience and shall have no legal effect in construing the provisions of this Agreement.

II. AFFILIATION TRANSACTIONS

2.1 Amendment of Articles and Bylaws.

(a) Effective as of the Closing Date, in consideration of the Governing Entity’s service, charitable and financial commitments to the Allegheny Entities, each Allegheny Entity shall have caused its articles of incorporation to be amended and restated as set forth in Exhibit 2.1(a) hereto to reflect, inter alia, that the Governing Entity is the sole member of such Allegheny Entity.

(b) Effective as of the Closing Date, in consideration of the Governing Entity’s service, charitable and financial commitments to the Allegheny Entities, each Allegheny Entity shall have caused its bylaws to be amended and restated as set forth in Exhibit 2.1(b) hereto.

2.2 Consideration: Subject to the terms and conditions hereof, at Closing, the Governing Entity shall extend to the Allegheny Entities the governance and fiduciary stewardship, management expertise and support of the Governing Entity in furtherance of the charitable missions of the Allegheny Entities, and shall make or cause to be made such advances

under the Highmark Loan Agreement as the Governing Entity shall determine are reasonably necessary for the preservation of the Allegheny Entities and the orderly conduct of the Businesses as of the Closing Date.

2.3 No Assignment or Assumption with Respect to AUH-West. AUH-West shall not assign to AGH any Contracts, and AGH shall not assume or be responsible for any liability or obligation of AUH-West whatsoever, whether fixed or contingent, liquidated or unliquidated, present or future, all of which are expressly retained by AUH-West.

III. REPRESENTATIONS AND WARRANTIES OF THE ALLEGHENY ENTITIES

Notwithstanding any references in this Article to the "Allegheny Entities", "any Allegheny Entity", "each Allegheny Entity", or words or phrases of similar import, each of AUH-West and the Allegheny Entities represents and warrants to the Governing Entity as follows. The Governing Entity acknowledges and agrees that (i) the Allegheny Entities and AUH-West do not have the legal authority to direct the business operations of AUMP and AUHS, and (ii) the Allegheny Entities and AUH-West do not control or in all respects have access to the financial books and records of AUMP and AUHS. The representations and warranties in this Article III with respect to AUMP and AUHS are nonetheless made on an unqualified basis for purposes of the condition to closing described in Section 7.1(a). In no event will any officer or trustee of any Allegheny Entity or AUH-West have any personal responsibility as a result of any breach or default in the following representations or warranties.

3.1 Organization. Each Allegheny Entity is duly organized and validly existing and subsisting under the laws of the Commonwealth of Pennsylvania. None of the Allegheny Entities is licensed, qualified or admitted to do business in any jurisdiction other than the Commonwealth of Pennsylvania and there is no other jurisdiction in which the ownership, use or leasing of any of the Allegheny Entities' assets or properties, or the conduct or nature of their businesses, makes such licensing, qualification or admission necessary.

3.2 Powers; Consents; Absence of Conflicts, Etc. Each Allegheny Entity has the requisite power and authority to conduct its businesses as now being conducted, to enter into this Agreement and, subject to the satisfaction of the conditions set forth in Article VI, to perform its obligations hereunder, and except as described in Schedule 3.2, the execution, delivery and performance by each Allegheny Entity of this Agreement and, subject to the satisfaction of the conditions set forth in Article VI, the consummation of the transactions contemplated herein (i) are within such Allegheny Entity's corporate powers, (ii) are not in contravention of any Legal Requirement or of the terms of its articles or certificate of incorporation, bylaws and other governing documents, if any, as amended to date (true and correct copies of which have been delivered to the Governing Entity), (iii) do not conflict with or result in any breach or contravention of any Contract to which any Allegheny Entity is a party or by which it is bound; (iv) have been duly authorized by all appropriate corporate action, and (v) do not require the Allegheny Entities to obtain any consent, license, approval or authorization of, or to make any

filing with, or provide any notification to, any Governmental Entities that will not be obtained by the Closing Date.

3.3 Binding Agreement. This Agreement and all instruments and agreements hereunder to which any Allegheny Entity is or becomes a party are (or upon execution will be) valid and legally binding obligations of such Allegheny Entity, enforceable against such Allegheny Entity in accordance with the respective terms hereof or thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy, or other laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity. Pursuant to the Global AHERF Settlement Agreement, the Trustee and the Estates are acknowledging that the Allegheny Entities are entering into this Agreement.

3.4 Subsidiaries, Investments and Third Party Rights. No Affiliate of any Allegheny Entity conducts any business that competes with the Businesses, the Allegheny Entities have no interests in any Persons that conduct any business that competes with the Businesses, the Assets do not include any Investments, and none of the Allegheny Entities is under any obligation or requirement to provide funds or make any investment (in the form of a loan, capital contribution or otherwise) in any entity or business in an amount that is material. Schedule 3.4 includes a true, correct and complete list of all Affiliates of the Allegheny Entities in which the Allegheny Entities or any of them owns an interest or of which the Allegheny Entities or any of them is a member.

3.5 Legal and Regulatory Compliance. Each Allegheny Entity and each of AUMP and AUHS is in compliance with all Legal Requirements, and has timely filed all reports, data and other information required to be filed with Governmental Authorities. Except as described on Schedule 3.5, no Allegheny Entity is a subject of any proceeding, audits or investigation by Governmental Authorities or any other Person.

3.6 Financial Statements. The Financial Statements fairly present in all material respects the financial condition and results of operations of AGH and AUMC as of the respective dates thereof and for the periods therein referred to, all in accordance with GAAP, subject in the case of the Interim Financial Statements, to normal recurring year-end adjustments and the absence of notes. The ASRI Financial Statements fairly present in all material respects the financial condition and results of operations of ASRI as of the date thereof and for the period then ended in accordance with GAAP except for the absence of footnotes none of which would reflect any material contingent liability. Schedule 3.6 contains a true and correct copy of the Financial Statements and the ASRI Financial Statements.

3.7 Inventory. All items of inventory and supplies on hand consist of items of a quality usable or saleable in the ordinary course of business, except for those items which are obsolete, below standard quality or in the process of repair and in each case for which adequate reserves have been provided in the Financial Statements.

3.8 Equipment. All equipment constituting Assets, whether reflected in the Financial Statements or otherwise, that is used in the Business of the Allegheny Entities, AUHS or AUMP

is well maintained and in good operating condition, except for reasonable wear and tear. All medical and leased equipment constituting Assets or identified on Schedule 3.8 hereto is maintained (either by the Allegheny Entities, the manufacturer or lessor, as the case may be) in accordance with manufacturer and lessor requirements and is in good operating condition, except for reasonable wear and tear. Schedule 3.8 describes all leased equipment that is material to the operations of the Allegheny Entities.

3.9 Title to Personal Property.

(a) The Allegheny Entities own and hold (or in the case of Assets to be transferred or conveyed to the Allegheny Entities pursuant to the Global AHERF Settlement Agreement will as of the Closing Date own and hold) good and valid title or leasehold title to all Assets other than the Real Property and the Endowments and Grants, free and clear of any Encumbrances other than the Permitted Personal Property Encumbrances described in Schedule 3.9.

(b) Upon conveyance of the Transferred Endowments to the Allegheny Entities pursuant to the Global AHERF Settlement Agreement, the Allegheny Entities or their fiduciaries (as set forth on Schedule 3.18 to the Global AHERF Settlement Agreement) will own legal title to all Restricted Assets free and clear of any Encumbrances other than the Endowment and Grant Restrictions. A description of each bequest, gift or grant constituting Restricted Assets, including the Transferred Endowments, is listed on Schedule 3.18 to the Global AHERF Settlement Agreement.

3.10 Real Property.

(a) The Allegheny Entities own fee simple or leasehold title (as the case may be and as set forth on Schedule 3.10) to the Real Property described in Schedule 3.10 together with all buildings, improvements and fixtures thereon and all appurtenances and rights thereto, free and clear of any Encumbrances other than the Permitted Real Property Encumbrances described in Schedule 3.10.

(b) The Real Property described in Schedule 3.10 comprises all of the real property owned or leased by the Allegheny Entities, and also describes all of the real property owned or leased by Affiliates of the Allegheny Entities which is associated with or employed in the operation of the Businesses.

(c) Except as described on Schedule 3.10, the buildings constructed on the Real Property are in a state of good condition and repair, are structurally sound, and in need of no maintenance or repairs except for ordinary, routine maintenance, and are adequate for the uses to which they are being put.

(d) No Allegheny Entity has received notice of condemnation or similar proceeding relating to the Real Property or any part thereof.

(e) No part of the Real Property contains, is located within or abuts any flood plain, navigable water or other body of water, tideland, wetland, marshland or any other area which is subject to special State, federal or municipal regulation, control or protection.

(f) Each of the real property leases described in Schedule 3.10 is in full force and effect and enforceable in accordance with their respective terms, are for the periods set forth in Schedule 3.10, and, except as set forth in Schedule 3.10, are superior to all mortgages or other leases or encumbrances. There are no notices of cancellation, termination, or default under any lease nor do any conditions currently exist which, with or without notice or lapse of time, or both, would constitute a default under the lease.

(g) The transactions contemplated by this Agreement will not constitute an assignment or other event which is not permitted by any of the real property leases described in Schedule 3.10, or which requires the consent of any Person except as listed on Schedule 3.10(g).

(h) The Real Property, including the buildings and other improvements thereon, is in compliance with all applicable subdivision, land use, zoning, building law codes and other Legal Requirements.

(i) There are no sale contracts, leases, subleases, licenses, purchases, assignments or other agreements for the transfer of any material parcel of any Real Property or which allow Persons other than the Allegheny Entities to use or occupy any material parcel of any Real Property or any part thereof.

3.11 Environmental Matters. Except as described on Schedule 3.11, the Assets and the Businesses are in compliance with all Environmental Laws and there are no circumstances in existence that would prevent or interfere with compliance by the Assets and the Businesses in all material respects with Environmental Laws. No Materials of Environmental Concern have been or are on, or in, or released or generated or disposed from the Businesses or the Assets, or other Real Property owned or used from time to time by the Allegheny Entities, except those materials (i) routinely used in connection with typical hospital uses, (ii) used or disposed of in compliance with applicable Legal Requirements, and (iii) which do not and will not, with the passage of time, require any environmental remediation under applicable Legal Requirements. Except as described on Schedule 3.11, no Allegheny Entity has received any communication from any Person alleging that, with respect to the Assets of or the conduct of the Businesses, any Allegheny Entity is not in compliance in all material respects with Environmental Laws. Each Allegheny Entity has all permits, licenses and approvals required under applicable Environmental Laws to own or lease the Real Property (as applicable) and to conduct the Businesses thereon as they are currently conducted.

3.12 Intellectual Properties, Computer Software, etc. Except for customary licensing fees payable under the Contracts, subject to the consummation of the transactions contemplated by the Global AHERF Settlement Agreement, and except for any Intellectual Properties covered by any agreement that the Governing Entity has elected not to treat as an Assigned AHERF

Agreement or an Assigned AUHS Agreement (as each such term is defined in the Global AHERF Settlement Agreement), the Allegheny Entities have the right to use, free and clear of any royalty or other payment obligations, claims of infringement or other liens, (i) all Intellectual Properties used or needed by the Allegheny Entities in the conduct of the Businesses, (ii) all computer software, programs and similar systems owned by or licensed under Contracts to the Allegheny Entities and used in the conduct of the Businesses, and (iii) all computer software, programs and similar systems necessary to or used in connection with the operation of the Businesses as currently conducted; and no Allegheny Entity is in material conflict with or in material violation or infringement of, nor has any Allegheny Entity received a notice alleging any conflict with or violation or infringement of, any rights of any other Person with respect to any such Intellectual Properties or computer software, programs or similar systems other than such as have arisen under Contracts between an Allegheny Entity and AHERF and which are being resolved pursuant to the Global AHERF Settlement Agreement. The Allegheny Entities have in place a Year 2000 plan of correction, which plan is adequate to deal with the Year 2000 issue and is financially feasible.

3.13 Insurance.

(a) Schedule 3.13 describes all material insurance arrangements, including self-insurance, in place for the benefit of the Assets and the conduct of the Businesses. With respect to third party insurance, Schedule 3.13 sets forth the name of each insurer, whether such insurer is an Affiliate of any Allegheny Entity, and the number, coverage, limits, term and premium for each policy of insurance purchased or held by the Allegheny Entities covering the ownership and operation of the Assets and the Businesses.

(b) No Allegheny Entity has any liability or responsibility in respect of any retrospective premium obligation described in any reinsurance agreement between Steadfast Insurance Company or Lexington Insurance Company and AHSPIC. The value of the assets of AHSPIC held in insurance trust reserve or agency accounts for the benefit of AHSPIC is less than the actuarially determined present value of the claims for which AHSPIC is or may be liable pursuant to the terms of any and all such reinsurance agreements by an amount that does not exceed \$7.0 million.

3.14 Permits and Licenses. The Allegheny Entities, AUMP and AUHS hold or own all material licenses, permits, grants, authorizations, easements, variances, exemptions, consents, approvals, orders, accreditations by Accreditation Bodies, franchises and certificates of need (including applications therefor) (collectively, the "Permits") necessary to the ownership, development or operations of the Businesses and the Assets. The Allegheny Entities, AUMP and AUHS are duly licensed by the appropriate state agencies and any ancillary departments located at the facilities of the Businesses that are required to be specifically licensed are duly licensed by the appropriate state agencies, and have the appropriate accreditations from Accreditation Bodies. The Businesses are in compliance in all material respects with such licensing and accreditation requirements and there is no action proceeding or investigation pending or threatened that could result in suspension or cancellation of any of the Permits.

3.15 Government Reimbursement Programs and Other Payor Programs.

(a) To the extent required, each of the Businesses is qualified for participation in and have current and valid provider contracts with the Government Reimbursement Programs and the Non-Governmental Payor Programs under which such entity has received reimbursement or direct payments in respect of services rendered and/or with the fiscal intermediaries or paying agents under such programs, and comply in all material respects with the conditions of participation therein. To the extent required, the Businesses are entitled to payment under the Government Reimbursement Programs and the Non-Governmental Payor Programs for services rendered to qualified beneficiaries and have received all approvals or qualifications necessary for capital reimbursement on the Assets. The Cost Reports were filed when due or have since been filed for all Cost Report periods through June 30, 1998. The Cost Reports have been audited and Notices of Program Reimbursement issued for all Cost Report periods through June 30, 1997. All amounts shown in the Cost Reports as due from any entity operating the Businesses were remitted with such reports and all amounts shown in the Notices of Program Reimbursement as due have been paid. The Allegheny Entities have not received or submitted any claim for payment in excess of the amount provided by, or otherwise in violation of, law or applicable Contract and, except as described on Schedule 3.15, no Allegheny Entity has received notice of or otherwise is aware of any dispute or claim by any Governmental Authority, fiscal intermediary or other person regarding the Government Reimbursement Programs or the Non-Governmental Payor Programs or the Allegheny Entities' or AUMP's or AUHS's participation therein. The Financial Statements reflect proper and adequate reserves for all normal and customary audit and contractual adjustments for which the Businesses will be liable under the Government Reimbursement Programs and the Non-Governmental Payor Programs.

(b) All claims for payment on the part of the Allegheny Entities, AUMP and AUHS under the Government Reimbursement Programs and Non-Governmental Payor Programs are valid and enforceable in accordance with their terms, subject only to contractual adjustments and to the effect of the change in interpretation by the Department of Public Welfare with respect to the general assistance days rules (the impact of which did not exceed \$1.4 million for fiscal year 1998 and \$2.4 million for fiscal year 1997, all of which has been taken account of in the Financial Statements). No such claims are subject to offset, recoupment or counterclaim by any Governmental Authority or other third party payor.

3.16 Agreements and Commitments.

(a) Except for Contracts listed on Schedule 3.16:

(i) there are no Contracts adversely affecting the ownership or use of, title to or interest in any Real Property;

(ii) there are no Contracts with Affiliates, officers, directors, or employees that are not on an arms-length basis on fair market terms or with referral sources to any of the Businesses;

(iii) there are no collective bargaining agreements or other Contracts with labor unions or other employee representatives or groups;

(iv) there are no requirements or exclusive Contracts or Contracts prohibiting or limiting competition or the conduct by the Allegheny Entities of any lawful business by the Businesses;

(v) there are no Contracts for the administration, operation or funding of any Employee Benefit Plan that are not on an arms-length basis on fair market terms;

(vi) there are no Contracts with providers or (other than Contracts under which AUHS or AUMP are the employers) with physicians or physician groups;

(vii) there are no employment or severance Contracts;

(viii) there are no Contracts for the management of any part of the Businesses; and

(ix) there are no other Contracts other than Immaterial Contracts.

(b) Except for Contracts for borrowed money, none of the Allegheny Entities is in breach of any of the Contracts listed on Schedule 3.16 if such breach would have a Material Adverse Effect.

(c) Complete and correct copies of all Contracts listed on Schedule 3.16 have been made available to the Governing Entity at the disclosure data room of the Allegheny Entities maintained by the Allegheny Entities at the legal department of the Allegheny Entities and at the offices of Kirkpatrick & Lockhart LLP.

3.17 Employees and Employee Relations.

(a) The Allegheny Entities have separately delivered to the Governing Entity (i) a complete list (as of the date set forth therein) of names, positions, current annual salaries or wage rates, and bonus and other compensation arrangements of all full-time and part-time non-physician employees of the Allegheny Entities, AUH-West and AHERF, AUMP and AUHS employed in the operation of the Businesses as of April 1, 1999, and (ii) a separate complete list (as of the date set forth therein) of names, positions, current annual salaries or wage rates, and bonus and other compensation arrangements of all full-time and part-time physician employees of the Allegheny Entities, AUMP and AUHS as of April 1, 1999 (and their Affiliates, if applicable) (indicating in both lists whether each employee is part-time or full-time, the name of the employer of such employee and whether such employee is employed under written Contract).

(b) Except as described on Schedule 3.17, no employees of any Allegheny Entity or AHERF, AUMP and AUHS are represented by, or have made demand for recognition of, a labor union or employee organization, and no other union organizing or collective bargaining activities by or with respect to any employees of any Allegheny Entity are taking place.

3.18 Employee Benefit Plans.

(a) Schedule 3.18 lists each Employee Benefit Plan and Other Plan.

(b) Each Employee Benefit Plan (and related trust, insurance contract or fund) complies in form and in operation in all material respects with applicable Legal Requirements, and has been administered and operated in all material respects in accordance with the terms of the Plan and applicable Legal Requirements. All required reports and descriptions (including Form 5500 Annual Reports, Summary Annual Reports, PBGC- 1's and Summary Plan Descriptions) have been filed or distributed appropriately with respect to each Employee Benefit Plan. Each Allegheny Entity has delivered to the Governing Entity correct and complete copies of the plan documents and summary plan descriptions, most recent determination letters received from the Internal Revenue Service, most recent Form 5500 Annual Report, and all related trust agreements, insurance contracts and other funding agreements which implement each Employee Benefit Plan. Since January 1, 1993, no Employee Benefit Plan has been audited by any Governmental Authority and no written notice that such an audit will or may be conducted has been received by any Allegheny Entity.

(c) Each Employee Pension Benefit Plan meets the requirements of a qualified plan under Code Sec. 401(a), a tax sheltered annuity plan under Code Section 403(b), or a qualified employee pension plan under Code Section 408, and each qualified plan has received a favorable determination letter from the Internal Revenue Service reflecting compliance at least through the requirements imposed by the Tax Reform Act of 1986. All contributions (including employer contributions and employee salary reduction contributions) to each Employee Pension Benefit Plan that are required to be paid have been paid. The market value of all assets under each Employee Pension Benefit Plan and the present value of all vested and unvested liabilities thereunder have been determined and, with respect to each such Employee Pension Benefit Plan, as of such date of determination the vested and unvested liabilities thereunder were determined in accordance with PBGC immediate and deferred factors and assumptions applicable to an Employee Pension Benefit Plan terminating on the date for determination.

(d) The requirements of Part 6 of Subtitle B to Title I of ERISA and of Code Sec. 4980B have been met with respect to each Employee Welfare Benefit Plan; all premiums or other payments for all periods ending on or before the Closing Date have been paid with respect to each Employee Welfare Benefit Plan.

(e) Except for the Reportable Event that occurred by reason of the disposition by AHERF and its Affiliates other than the Allegheny Entities of certain assets to Tenet Health Care Corporation, the obligations of the Controlled Group that includes any Allegheny Entity

in respect of which will be fully discharged by the filing of a Form 5500 on or prior to September 30, 1999, no Reportable Event has occurred and there have been no Prohibited Transactions with respect to any Employee Benefit Plan that would subject any Allegheny Entity or any member of the Controlled Group that includes any Allegheny Entity to any liability; no ERISA Fiduciary has any material liability for breach of fiduciary duty or any other failure to act or comply in connection with the administration or investment of the assets of any Employee Benefit Plan; no action, suit, proceeding, hearing or investigation with respect to the administration or the investment of the assets of any Employee Benefit Plan (other than routine claims for benefits) is pending or to the Allegheny Entities' knowledge threatened; and to the Allegheny Entities' knowledge there exists no basis for any such action, suit, proceeding, hearing or investigation. No Party in Interest has any interest in any assets of any Employee Benefit Pension Plan other than as a beneficiary by virtue of such Person's participation in such plan.

(f) Except as set forth in Schedule 3.18, no Employee Benefit Plan which is an Employee Pension Benefit Plan has been completely or partially terminated or the subject of a Reportable Event and no proceeding by the PBGC to terminate any Employee Pension Benefit Plan has been instituted or threatened; and no Allegheny Entity has incurred any material liability to the PBGC (other than PBGC premium payments) or otherwise under Title IV of ERISA (including any withdrawal liability) or under the Code with respect to any Employee Pension Benefit Plan.

(g) Except as set forth in Schedule 3.18, the Allegheny Entities, and any member of the Controlled Group that includes the Allegheny Entities, have no unfunded liabilities, or potential, contingent or actual multiemployer plan withdrawal liabilities, on account of or in connection with any of the Employee Benefit Plans or Other Plans or otherwise, all contributions or premium payments due from the Allegheny Entities or any member of the Controlled Group that includes the Allegheny Entities have been paid in a timely manner, and any additional contributions or premium payments due on or before the Closing Date shall have been paid by that date. No Allegheny Entity, and no member of the Controlled Group that includes any Allegheny Entity, contributes to, ever has contributed to, or ever has been required to contribute to any Multiple Employer Plan or any Multiemployer Plan. No Allegheny Entity, and no member of the Controlled Group that includes any Allegheny Entity, maintains or contributes, ever has maintained or contributed, or ever has been required to maintain or contribute to any Employee Welfare Benefit Plan providing medical, health or life insurance or other welfare-type benefits for current or future retired or terminated employees, their spouses or their dependents (other than in accordance with Code Sec. 4980B).

3.19 Litigation and Proceedings.

(a) The Allegheny Entities have separately delivered to the Governing Entity a loss run reflecting all material medical malpractice claims against any Allegheny Entity as of December 31, 1998. In all other respects, Schedule 3.19 sets forth a list and summary description of all material claims, actions, suits, litigation, arbitration, mediations, investigations

and other proceedings pending or threatened against any Allegheny Entity, AUMP or AUHS as of the date of this Agreement.

(b) All litigation pending or threatened involving professional liability on the part of the Allegheny Entities, AUMP or AUHS will be fully discharged by the current carriers of professional liability insurance, as identified on Schedule 3.13 hereof.

(c) The Financial Statements reflect adequate and appropriate reserves in accordance with GAAP in respect of all pending and threatened litigation. Without limiting the generality of the foregoing, any claims made by HealthAmerica against one or more of the Allegheny Entities will not result in liability to any of the Allegheny Entities inconsistent with the amounts reserved therefor on the Financial Statements or otherwise have a Material Adverse Effect on the business of the Allegheny Entities.

3.20 Taxes.

(a) The Allegheny Entities have filed when due all Tax Returns required to be filed by or on behalf of any of them when due, all such Tax Returns are correct and complete in all material respects, and the Allegheny Entities have duly paid all Taxes due and made provision in the Financial Statements for the payment of all Taxes accrued but not yet due.

(b) Each Allegheny Entity has withheld proper and accurate amounts from its employees' compensation in full and complete compliance with all withholding and similar provisions of the Code and any and all other applicable Legal Requirements, and has withheld and paid, or caused to be withheld and paid, all Taxes on monies paid by the Allegheny Entities to independent contractors, creditors and other Persons for which withholding or payment is required by law.

(c) Except as set forth on Schedule 3.20, (i) there is no dispute or claim concerning any Tax liability of the Allegheny Entities either claimed or raised by any Governmental Authority in writing, or as to which any Allegheny Entity has notice or knowledge; (ii) there are no liens for Taxes on any of the Assets of the Allegheny Entities; (iii) the Assets do not include stock of corporations with net operating losses that could be limited by the transactions contemplated hereby; (iv) the Allegheny Entities are not participants in any partnerships or joint ventures; (v) there are no audits, actions, suits, proceedings, investigations or claims currently pending or threatened regarding any Taxes, (vi) there are no agreements or consents currently in effect for the extension or waiver of time (x) for filing Tax Returns or (y) for assessment of taxes and no Allegheny Entity has been requested to enter into any such agreement or consent with respect to the Allegheny Entities; (vii) all Tax deficiencies that have been claimed, proposed or asserted against any Allegheny Entity have been fully paid or settled; and (viii) there are no powers of attorney outstanding or applications for rulings or determinations regarding Taxes with respect to the Allegheny Entities.

(d) The Allegheny Entities are corporations exempt from federal and state income taxation because they are described in Section 501(c)(3) of the Code, and each has

received favorable letters of determination from the IRS regarding such Tax status. No similar letters of determination are required to be obtained from the Commonwealth of Pennsylvania Department of Revenue. The Allegheny Entities have not taken any actions that are inconsistent with any exemptions or Section 501(c)(3) status or would jeopardize exemptions or Section 501(c)(3) status and the Allegheny Entities are not under any investigation that could result in any exemption or Section 501(c)(3) status being revoked and no such investigation is pending or threatened.

3.21 Medical Staff. The Allegheny Entities have delivered to the Governing Entity copies of the bylaws, rules, and regulations currently in effect of the medical staff and medical executive committees of the Businesses. To the best knowledge of the Allegheny Entities, each professionally licensed employee of any of the Allegheny Entities is and at all times during his or her employment with such Allegheny Entity has been, and each professionally licensed member of the medical staffs of each Allegheny Entity is and at all times during his or her affiliation with such Allegheny Entity has been, duly licensed by all applicable licensing bodies and has held all professional certificates and designations appropriate to the functions discharged by him or her.

3.22 Special Funds. Subject to the matters described in a proof of claim or amendment thereto filed with the Bankruptcy Court on behalf of the Commonwealth of Pennsylvania (and without any implication that the Allegheny Entities are responsible for the matters described in such proof of claim), and subject to the repayment of loans made from restricted assets of AUHS as reflected in the AUMP/AUHS Balance Sheet, all of the Assets, including the Transferred Endowments and Transferred Grants, that are subject to Endowment and Grant Restrictions have been maintained, used and applied in accordance with such Endowment and Grant Restrictions. Except for the Endowment and Grant Restrictions set forth in Schedule 3.18 to the Global AHERF Settlement Agreement, none of the Assets are subject to any liability in respect of funds received by any Person for the purchase, improvement or use of any of the Assets or the conduct of the Businesses under restricted or conditioned grants or donations, including monies received under the Hill-Burton Act or from any other Governmental Authority.

3.23 Brokers and Finders. No Allegheny Entity nor any Affiliate of any Allegheny Entity, nor any officer, trustee, director, employee or agent thereof, has engaged any finder or broker in connection with the transactions contemplated hereunder, except that the Allegheny Entities have engaged Salomon Smith Barney Inc. to act as the Allegheny Entities' independent financial advisor in connection with the transactions contemplated by this Agreement. A true, correct and complete copy of all agreements reflecting the compensation arrangement between the Allegheny Entities and with Salomon Smith Barney Inc. is attached hereto as Exhibit 3.23.

3.24 Payments. No Allegheny Entity has, directly or indirectly, paid or delivered or agreed to pay or deliver any fee, commission or other sum of money or item of property, or other consideration, however characterized, to any Person which is in any manner related to the Assets or the Businesses in violation of any Legal Requirement. No Allegheny Entity, nor any officer, director or trustee of any Allegheny Entity has received or, as a result of the consummation of the transaction contemplated by this Agreement, will receive any rebate,

kickback or other payment from any Person with whom the Allegheny Entities conduct or have conducted business except (i) as expressly contemplated by this Agreement and (ii) for base salary and wages paid by the Allegheny Entities in the ordinary course of business.

3.25 Operation of the Businesses. The Assets constitute all assets (other than working capital), properties, goodwill and businesses necessary to operate the Businesses in all material respects in the manner in which they have been operated since June 30, 1998.

3.26 Restricted Assets. The Allegheny Entities own and hold (or, in the case of the Transferred Endowments and Transferred Grants, will as of the Closing own and hold) good and valid title to all Restricted Assets, free and clear of any Encumbrances other than the Endowment and Grant Restrictions and any applicable Legal Requirements.

3.27 Full Disclosure. This Agreement and the schedules and exhibits hereto, including the Global AHERF Settlement Agreement and the schedules and exhibits thereto, do not contain any material misstatement of fact or, when taken as a whole, omit to state a material fact necessary to make the statements contained herein or therein not misleading.

IV. REPRESENTATIONS AND WARRANTIES OF THE GOVERNING ENTITY

The Governing Entity makes the following representations and warranties to the Allegheny Entities on and as of the date hereof and shall be deemed to make them again at and as of the Closing. The Governing Entity represents and warrants to the Allegheny Entities as follows:

4.1 Organization. The Governing Entity is a non-profit corporation duly organized and validly subsisting under the laws of the Commonwealth of Pennsylvania.

4.2 Corporate Powers; Consents; Absence of Conflicts, Etc. The Governing Entity has the requisite power and authority to conduct its business as now being conducted, to enter into this Agreement, and to perform its obligations hereunder. The execution, delivery and performance by the Governing Entity of this Agreement and the consummation of the transactions contemplated herein by it:

(a) are within its corporate powers and are not in contravention of the terms of its articles or certificates of incorporation and bylaws, as amended to date, and have been approved by all requisite corporate action;

(b) except as otherwise expressly herein provided, do not require any approval or consent of, or filing with, any Governmental Authority bearing on the validity of this Agreement;

(c) do not conflict with or result in any breach or contravention of, any material agreement to which the Governing Entity is a party or by which it is bound; and

(d) do not violate any Legal Requirement to which the Governing Entity may be subject.

4.3 Binding Agreement. This Agreement and all instruments and agreements hereunder to which the Governing Entity is or becomes a party are (or upon execution will be) valid and legally binding obligations of the Governing Entity enforceable against it in accordance with the respective terms hereof and thereof, except as enforceability against them may be restricted, limited or delayed by applicable bankruptcy or other laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity.

4.4 Brokers and Finders. Neither the Governing Entity, nor any Affiliate of the Governing Entity, nor any officer, director, employee or agent thereof, has engaged any finder or broker in connection with the transactions contemplated hereunder.

4.5 Payments. Neither the Governing Entity nor any Affiliate of the Governing Entity nor any officer, director, employee or agent thereof, has, directly or indirectly, paid or delivered, offered to pay or deliver, or agreed to pay or deliver any fee, commission or other sum of money or item of property, however characterized, to any Person which is now or was previously an affiliate or insider of the Allegheny Entities to induce the consent or approval of such Person with respect to the transactions contemplated hereby, except as contemplated by the Global AHERF Settlement.

4.6 No Other Representations. The Governing Entity acknowledges that there are no representations, warranties, expressed or implied, of the Allegheny Entities except as expressly set forth in this Agreement.

V. COVENANTS AND AGREEMENTS OF THE PARTIES

5.1 Operations. Until the Closing Date except as otherwise expressly provided in this Agreement, AUH-West and the Allegheny Entities will:

- (a) carry on the Businesses in the ordinary course and in substantially the same manner as they have heretofore;
- (b) maintain the Assets and all leased equipment or Real Property in as good working order and condition as at present, ordinary wear and tear excepted;
- (c) perform when due all Legal Requirements and obligations under Contracts relating to or affecting the Businesses;
- (d) keep in full force and effect present insurance policies or other comparable insurance benefiting the Assets and the conduct of the Businesses;

(e) permit and allow reasonable access by the Governing Entity to establish relationships with physicians, payors and other Persons having business relations with the Allegheny Entities; and

(f) Keep and fulfill in all material respects (i) all obligations of AGH under the Working Capital Loan Agreement, and (ii) so long as it is in effect, all obligations of AGH and AUMC under the Management Agreement.

5.2 Certain Actions. Until the Closing Date, except pursuant to the direction of the manager under the Management Agreement, AUH-West and the Allegheny Entities shall not take any of the following actions without first obtaining the written consent of the Governing Entity:

(a) assign, amend or terminate any Contract, or enter into or renew any Contract, except for Immaterial Contracts and except for Contracts with Persons other than Affiliates (not including for such purpose executives or managers) entered into, terminated, renewed or amended in the ordinary course of the Businesses;

(b) make any material change in personnel, operations, finances, accounting policies, or real or personal property of the Businesses;

(c) increase compensation, benefits, or other remuneration payable or to become payable to, make a bonus or severance payment to, or otherwise enter into one or more bonus or severance agreements with, any employee or agent of any Allegheny Entity or appoint, hire or engage any employee, except for non-executive and non-management personnel in the ordinary course of the Businesses in accordance with existing personnel policies;

(d) create, agree to create, guarantee, assume or permit to exist any new Encumbrance upon any of the Assets other than the interests of lessors under operating leases entered into in the ordinary course of the Businesses;

(e) sell, assign, transfer, distribute or otherwise transfer or dispose of any property, plant or equipment of any Allegheny Entity having an original cost in excess of \$20,000 or otherwise material to the Businesses except in the ordinary course of the Businesses with comparable replacement thereof, provided that this Section 5.2(e) shall not prohibit the consummation of the Carved-Out Transactions so long as the proceeds thereof are retained by the applicable seller;

(f) take any action outside the ordinary course of the Businesses;

(g) except pursuant to a final, binding, and non-appealable Legal Requirement, amend or agree to amend the articles or certificate of incorporation or bylaws of any Allegheny Entity or otherwise take any action relating to any liquidation or dissolution of any Allegheny Entity; provided that if any Allegheny Entity believes that a final, binding and non-appealable Legal Requirement requires it to take any of the foregoing

actions, such Allegheny Entity shall, prior to taking such action advise the Governing Entity of such belief and confer with the Governing Entity with respect thereto;

(h) incur any new indebtedness for borrowed money (other than pursuant to the Working Capital Loan Agreement and indebtedness owed from AGH to AUMC) or otherwise create, incur, assume, guarantee or otherwise become liable for any liability of any Allegheny Entity or any other Person, or agree to do any of the foregoing, except for liabilities and obligations of an Allegheny Entity (other than indebtedness for borrowed money) in the ordinary course of the Businesses consistent with past practices;

(i) cancel, forgive, release, discharge or waive any receivable or any similar Asset or right with respect to the Businesses, or agree to do any of the foregoing, except in the ordinary course of the Businesses consistent with past practices and with respect to a Person that is not an Affiliate (including for such purpose executives and managers) of any Allegheny Entity;

(j) change any accounting method, policy or practice in the Financial Statements;

(k) terminate, amend or otherwise modify any Employee Benefit Plan or Other Plan, except for amendments required to comply with applicable Legal Requirements;

(l) commence or settle any claims, actions, suits, litigation, or other proceedings, or allow the time to appeal any decisions affecting the same (including without limitation with respect to Government Reimbursement Programs) to lapse (other than professional liability claims covered by insurance in the ordinary course of business);

(m) make any cash payment from the Allegheny Entities to the Estates that (A) does not represent a charge for the direct cost of services that have been provided for the benefit of an Allegheny Entity, AUHS or AUMP for periods after March 1, 1999, and (B) has not been approved by the Governing Entity; or

(n) make or cause to be made any cash transfer from the Allegheny Entities to AUH-West except to discharge current ordinary course obligations of AUH-West in accordance with past practice.

5.3 Reserved.

5.4 Access to and Provision of Additional Information.

(a) Until the Closing, AUH-West and the Allegheny Entities shall provide to the Governing Entity full and complete access to and the right to inspect and copy the Assets, books and records of AUH-West and the Allegheny Entities relating to the Businesses, access to AUH-West's and the Allegheny Entities' files and other records regarding claims, actions,

suits, litigation, arbitration, mediations, investigations and other proceedings pending against or otherwise affecting AUH-West or any Allegheny Entity, the Businesses or the Assets, and such additional financial, operating and other data and information regarding the Businesses as the Governing Entity may from time to time reasonably request, whether such books, records and data are in the possession of AUH-West or the Allegheny Entities or in the possession of a consultant or advisor to AUH-West or the Allegheny Entities.

(b) Until the Closing, the AUH-West and Allegheny Entities shall cause their respective officers and employees to confer on a regular and frequent basis with one or more representatives of the Governing Entity and to answer the Governing Entity's questions regarding matters relating to the conduct of the Businesses and the status of transactions contemplated by this Agreement. AUH-West and the Allegheny Entities shall notify the Governing Entity in writing of any material changes in the operations, financial condition or prospects of the Businesses and of any complaints, investigations, hearings or adjudicatory proceedings (or communications indicating that the same may be contemplated) of any Person (including without limitation those with respect to Government Reimbursement Programs) and shall keep the Governing Entity reasonably informed of such matters.

(c) The exercise by the Governing Entity of any right of access granted herein shall not unreasonably interfere with the business operations of the Allegheny Entities. Any and all information acquired by or provided to the Governing Entity in the course of having the access granted herein shall be held in confidence in accordance with paragraph 4 of the Letter of Intent.

5.5 Governmental Authority Approvals; Consents to Assignment. Until the Closing Date, AUH-West and each Allegheny Entity and the Governing Entity shall (i) promptly apply for and use all reasonable efforts to obtain as soon as practicable all consents, approvals, authorizations and clearances of Governmental Authorities required of it to consummate the transactions contemplated hereby, (ii) provide such information and communications to Governmental Authorities as the other party or such Persons may reasonably request, (iii) reasonably assist and cooperate with other parties to obtain all consents, licenses, permits, approvals, authorizations and clearances of Governmental Authorities that the other parties reasonably deem necessary or appropriate, and to prepare any document or other information reasonably required of it by any such Persons to consummate the transactions contemplated herein, and (iv) otherwise use all reasonable efforts to cause the Closing to occur as soon as possible; provided that, notwithstanding the foregoing, no party shall have any obligation under such provisions to pay any cash amounts to Governmental Authorities other than filing fees.

5.6 Further Acts and Assurances. At any time and from time to time at and after the Closing, upon request of any party, each other party shall do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such further acts, deeds, powers of attorney, confirmations and assurances as the requesting party may reasonably request to more effectively consummate the transactions contemplated hereby and by the Global AHERF Settlement Agreement. Each party shall also furnish each other party, at the cost and expense of the requesting party, with such information and documents in its possession or under its

control, or which such other party can execute or cause to be executed, as will enable the requesting party to prosecute any and all petitions, applications, claims and demands relating to the transactions contemplated hereby and the Global AHERF Settlement Agreement.

5.7 Restricted Assets. The Governing Entity acknowledges that the Restricted Assets are subject to the Endowment and Grant Restrictions. The Governing Entity will cause the Allegheny Entities to take such actions after Closing as are reasonably necessary to comply with the conditions of such Endowment and Grant Restrictions, including but not limited to establishment and maintenance of the Endowment and Grant Accounts.

5.8 Costs and Expenses.

(a) Except as otherwise expressly set forth in this Agreement, all expenses of the preparation of this Agreement and of the consummation of the transactions contemplated hereby, including counsel, accounting, brokerage and investment advisor fees and disbursements, shall be borne by the respective party incurring such expense, whether or not such transactions are consummated. The Allegheny Entities shall be responsible for paying any fees and expenses of Salomon Smith Barney Inc. in connection with the transactions contemplated by this Agreement.

(b) The Governing Entity shall pay the cost of environmental, engineering and other professional studies undertaken by the Governing Entity.

5.9 RAP Plan Matters. Notwithstanding anything to the contrary in this Agreement, the obligations of the parties, if any, with respect to the RAP Plan and any pension liabilities arising thereunder or in connection therewith shall be governed by the PBGC Agreement in the form attached as Exhibit 5.9. The Closing hereunder shall not occur except upon the simultaneous closing under the PBGC Agreement, and the terms of the PBGC Agreement shall survive the Closing notwithstanding anything to the contrary in this Agreement.

VI. CONDITIONS PRECEDENT TO OBLIGATIONS OF THE ALLEGHENY ENTITIES

The obligations of the Allegheny Entities hereunder are subject to the satisfaction on or prior to the Closing Date of the following conditions unless waived in writing by the Allegheny Entities (with the understanding that the condition set forth in Section 6.3 (ii) cannot be waived):

6.1 Representations and Warranties; Covenants.

(a) The representations and warranties of the Governing Entity contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date.

(b) The terms, covenants and agreements to be complied with or performed by the Governing Entity on or before the Closing Date shall have been complied with and performed, including the obligations of the Governing Entity in Section 8.3.

6.2 Adverse Action or Proceeding. No action or proceeding before any Governmental Authority shall have been instituted or threatened to restrain or prohibit the transactions herein contemplated and shall continue to be pending, and there shall not be in effect any order restraining, enjoining or otherwise preventing consummation of the transactions contemplated hereunder.

6.3 Pre-Closing Confirmations. The Allegheny Entities shall have obtained documentation or other evidence reasonably satisfactory to the Allegheny Entities that the Allegheny Entities have received or will receive all approvals, authorizations and clearances of Governmental Authorities and other Persons required of them to consummate the transactions contemplated hereby and that all applicable waiting periods under the HSR Act have expired. Without limiting the generality of the foregoing, (i) an order of the U.S. Bankruptcy Court for the Western District of Pennsylvania shall have been obtained with respect to the transactions contemplated hereby and by the Global AHERF Settlement Agreement that is reasonably satisfactory to the Allegheny Entities, and (ii) the Orphans' Court shall have entered an order approving the transactions contemplated hereby.

6.4 Global AHERF Settlement Agreement. The transactions contemplated by the Global AHERF Settlement Agreement shall have been consummated in all material respects in accordance with the terms and conditions of the Global AHERF Settlement Agreement.

6.5 Highmark Loan Closing. The Highmark Credit Agreement shall be in full force and effect, and the conditions to the closing and the initial advance of loan proceeds under the Highmark Credit Agreement shall have been satisfied or been waived by Highmark, and such advances under the Highmark Credit Agreement as the Governing Entity shall determine are reasonably necessary for the preservation of the Allegheny Entities and the orderly conduct of the Businesses as of the Closing Date shall have been made.

6.6 AUH-West. The corporate entity and unsatisfied liabilities of AUH-West shall have been dealt with in a manner satisfactory to the Allegheny Entities and AUH-West. It is understood that the condition in this Section 6.6 may not be waived without the consent of AUH-West.

VII. CONDITIONS PRECEDENT TO OBLIGATIONS OF THE GOVERNING ENTITY

The obligations of the Governing Entity hereunder are subject to the satisfaction on or prior to the Closing Date of the following conditions, unless waived in writing by the Governing Entity (it being understood that, except for the conditions set forth in Section 7.7(a), which may be waived only with the consent of the PBGC, and the conditions set forth in Section 7.11 (ii), which cannot be waived, each of the following conditions may be deemed to be satisfied or may

be waived only in the sole discretion of the Governing Entity, and that such conditions may fail of satisfaction as a result of a determination by Highmark that such conditions have not been met; neither the Governing Entity, Highmark or any of their Affiliates shall have any liability or obligation to other party hereto as a result of any determination of the Governing Entity or Highmark that any such condition has failed to be satisfied):

7.1 Representations and Warranties; Covenants.

(a) The Governing Entity shall be reasonably satisfied that the representations and warranties of AUH-West and the Allegheny Entities contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date, as if made on such date, except to the extent that the failure of such representations and warranties (individually or in the aggregate) to be true and correct in all material respects would not have a Material Adverse Effect. The Governing Entity shall be reasonably satisfied that no changes, events, omissions, or occurrences shall have occurred or be threatened or pending (whether or not arising from any such failure), which in the aggregate have had or are likely to have a Material Adverse Effect. For such purpose, a change, event, omission or occurrence, or a failure of a representation or warranty to be true and correct, shall only be deemed to have a "Material Adverse Effect" if, individually or collectively with other such changes, events, omissions, occurrences and failures, it would be reasonably likely to cause the following actual or anticipated annualized financial measurements with respect to the Businesses (calculated as if the Transferred-Assets Businesses of AUHS and AUMP constituted part of the Businesses) to be different from the indicated base case financial measurements (which the parties acknowledge represent the Governing Entity's current base case assumptions for the Businesses, calculated on the same basis) by more than the indicated amounts: (i) if it would be reasonably likely to cause the sum of (A) the current assets of AGH and AUMC determined in accordance with GAAP less (B) the outstanding principal amount and all accrued and unpaid interest under the Working Capital Loan Agreement, plus (C) the assets of AGH and AUMC that are restricted as to use (not including the Transferred Endowments), less (D) the current liabilities of AGH and AUMC (exclusive of the current portion of long-term debt and the outstanding principal amount and all accrued and unpaid interest under the Working Capital Loan Agreement) determined in accordance with GAAP, to vary negatively from the base case of \$120.4 million by more than \$10 million; (ii) if it would be reasonably likely to cause the sum of the long term debt of AGH and AUMC inclusive of current maturities (not including the principal amount or any accrued interest under the Working Capital Loan Agreement) to vary negatively from the base case of \$449.1 million by more than \$1 million; (iii) if it would be reasonably likely to cause the sum of the annualized inpatient revenue, outpatient revenue, capitation revenue, risk contract revenue and physician services revenue of AGH and AUMC (not including physician services revenue recognized by AUHS and AUMP) to vary negatively from the base case of \$650.8 million by more than \$10 million; (iv) if it would be reasonably likely to cause the sum for AUHS and AUMP of the accounts receivable (other than accounts receivable from AHERF and its Affiliates), plus inventory, prepaid expenses, other receivables and Grants receivable (net), less accounts payable and accrued expenses, all in accordance with GAAP, to vary negatively from the base case of \$7.4 million by more than \$1 million; (v) if it would be reasonably likely to cause the sum for AUHS and AUMP of pension liabilities, workers compensation liabilities and other liabilities,

all in accordance with GAAP, to vary negatively from the base case of \$3.3 million by more than \$0.5 million; or (vi) if it would be reasonably likely to place the Governing Entity and/or the Allegheny Entities in material violation of Legal Requirements that are material to the conduct of the Allegheny Entities' Businesses (as if, for such purpose, the transactions contemplated by the Global AHERF Settlement Agreement had been consummated) after the Closing.

(b) The Governing Entity shall be satisfied that the liquidity position of AGH as of the Closing Date is such that the liquid resources of the Governing Entity, AGH and AUMC that are legally available to be applied to the costs incurred and to be incurred by the Governing Entity, AGH and AUMC at and for a reasonable time after the Closing Date will be sufficient to pay and discharge such costs in a timely manner while leaving a prudent level of liquid reserves available to pay future costs. Without limiting the generality of the foregoing, on the motion of AGH that is approved by the Attorney General of the Commonwealth of Pennsylvania, the Orphan's Court shall have entered an order authorizing the application of funds that would otherwise constitute Endowments of AGH to the payment of such costs, free and clear of Endowment and Grant Restrictions and without violation of any Legal Requirements, in an amount or amounts and at such time or times as may be necessary in the judgment of the Governing Entity in order to satisfy the condition set forth in this Section 7.1(c), and all legal matters affecting such motion, order and authorization shall be reasonably satisfactory to the Governing Entity.

(c) The terms, covenants and agreements to be complied with or performed by AUH-West and the Allegheny Entities on or before the Closing Date shall have been complied with and performed in all material respects, including the obligations of AUH-West and the Allegheny Entities in Section 8.2.

7.2 Adverse Action or Proceeding. No action or proceeding by any Governmental Authority shall have been instituted seeking to restrain or prohibit the transactions herein contemplated and shall continue to be pending, and there shall not be in effect any order restraining, enjoining or otherwise preventing consummation of the transactions contemplated hereunder.

7.3 Pre-Closing Confirmations. The Governing Entity shall have obtained documentation or other evidence reasonably satisfactory to the Governing Entity (1) that AUH-West, the Allegheny Entities and the Governing Entity have received or will receive all approvals, authorizations and clearances of Governmental Authorities and other Persons required of them or advisable in the judgment of the Governing Entity to consummate the transactions contemplated hereby, the failure to receive which would have a Material Adverse Effect or would violate in a material way the provisions of applicable law or expose any Allegheny Entity or the Governing Entity to any material liability, including without limitation (w) required consents of parties to Contracts (other than Immaterial Contracts) to which the Allegheny Entities and/or AUMP or AUHS is a party, (x) waivers of defaults by the holders of long term indebtedness, parties to capital and operating leases and parties to other Contracts (other than Immaterial Contracts) affecting the Businesses; (y) required consents of the Governing Entity's

governing bodies; and (z) consents of third parties required or deemed advisable by the Governing Entity in order for the Governing Entity to consummate the transactions contemplated hereby; and (2) that all applicable waiting periods under the HSR Act have expired. Without limiting the generality of the foregoing, an order of the U.S. Bankruptcy Court for the Western District of Pennsylvania shall have been obtained with respect to the transactions contemplated hereby and by the Global AHERF Settlement Agreement the terms of which and the procedures of entry for which are satisfactory to the Governing Entity, and inter alia, does not by its terms allocate to the Allegheny Entities or the Governing Entity any responsibility for the payment of professional fees, and such order shall have become final and not be subject to a pending appeal.

7.4 Deliveries at Closing. The Allegheny Entities shall have delivered to the Governing Entity, in form reasonably acceptable to the Governing Entity, the amended articles of incorporation and bylaws, and all agreements, instruments, certificates or other documents required to be executed by any Allegheny Entity pursuant to this Agreement.

7.5 Global AHERF Settlement Agreement. The transactions contemplated by the Global AHERF Settlement Agreement shall have been consummated in all material respects in accordance with the terms and conditions of the Global AHERF Settlement Agreement. Without limiting the generality of the foregoing, it is expressly agreed that each and every one of the conditions set forth in Article 7 of the Global AHERF Settlement Agreement to the obligations of the Governing Entity under the Global AHERF Settlement Agreement shall constitute a condition to the obligations of the Governing Entity under this Agreement, each of which (except for the conditions set forth in Section 7.12 of the Global AHERF Settlement Agreement, which may be waived only with the consent of the PBGC) may be deemed to be satisfied or may be waived only in the sole discretion of the Governing Entity, and that such conditions may fail of satisfaction as a result of a determination by Highmark that such conditions have not been met. Neither the Governing Entity, Highmark nor any of their Affiliates shall have any liability or obligation to any other party hereto as a result of any determination of the Governing Entity or Highmark that any such condition has failed to be satisfied.

7.6 Specific Conditions. Without limiting the generality of Section 7.1(a), the Governing Entity shall be reasonably satisfied that the following specific conditions have been met, in each case to the extent that the failure of the satisfaction of any one or more of the following specific conditions, individually or when taken together with any matters that have caused the representations and warranties of AUH-West and the Allegheny Entities in this Agreement not to be true and correct in all material respects on and as of the Closing Date, as if made on such date, or with any changes, events, omissions or occurrences that have occurred or may be threatened or pending as of the Closing Date, would have or is likely to have a Material Adverse Effect:

(a) Investigations. The Governing Entity shall be satisfied as to the status of any pending governmental or third party payor investigation.

(b) Plan of Transition. The Governing Entity shall be satisfied with respect to the legal and financial aspects of the Contracts, taken as a whole, to which AUMP and AUHS

are and have been parties with respect to employment of physicians and acquisition of physician practices, and with respect to the plan of transition for AUMP and AUHS physicians.

(c) Insurance. The Governing Entity shall be satisfied that the Allegheny Entities will have no material liability in respect of directors' and officers' indemnity claims that is not covered by insurance.

(d) Oui Tam Suit and Related Litigation. The Governing Entity shall be satisfied as to the status of the litigation matters captioned U.S. ex rel. v. AGH et al. and Cedars-Sinai v. Shalala.

7.7 PBGC Agreement and RAP Plan Matters.

(a) The PBGC Agreement shall be in full force and effect, the transactions contemplated thereby to be consummated at the time of the Closing shall have been consummated and the releases, confirmations and other actions contemplated thereby to be delivered or taken at the time of the Closing shall have been delivered or taken, all in a manner that the Governing Entity is satisfied is in accordance in all material respects with the terms and conditions of the PBGC Agreement.

(b) IRS Inaction With Respect to Form 5310-A. At least thirty days prior to the Closing Date, the Allegheny Entities shall have timely filed or caused to be filed appropriate notices to the Internal Revenue Service on Form 5310-A with respect to the spin-off of the RAP contemplated by the PBGC Agreement, and as of the Closing Date, the Internal Revenue Service shall not have noted an objection to such spin off or requested additional time to review such spin off.

(c) Reasonable Satisfaction With Respect to Funding Obligations of the Allegheny Entities Plan. The Governing Entity shall be reasonably satisfied that, on an actuarial basis using actuarial assumptions used by the RAP applied to the New Plan (as such term is defined in the PBGC Agreement), including, but not limited to, an interest rate of 9% per year, and assuming that benefit accruals are ceased by the Allegheny Entities as of the Closing Date, neither the Governing Entity nor the Allegheny Entities (or any of them) will have an obligation to make contributions to the Allegheny Entities Plan (it being understood that nothing in this Section 7.7(c) shall limit or restrict the obligations of the Governing Entity or the Allegheny Entities from and after the Closing Date arising under the terms of the New Plan, the PBGC Agreement or the provisions of applicable law with respect thereto).

7.8 Opinions. The Governing Entity shall have received the opinion of counsel to AUH-West and the Allegheny Entities with respect to the matters set forth on Schedule 8.2.

7.9 Highmark Loan Closing. The Highmark Loan Agreement shall be in full force and effect, and the conditions to the closing and the initial advance of loan proceeds under the Highmark Loan Agreement shall have been satisfied or been waived by Highmark, and such advances under the Highmark Loan Agreement as the Governing Entity shall determine are

reasonably necessary for the preservation of the Allegheny Entities and the orderly conduct of the Businesses as of the Closing Date shall have been made.

7.10 HealthAmerica Settlement. The Allegheny Entities shall have entered into a settlement agreement with HealthAmerica Pennsylvania, Inc. ("HealthAmerica") settling and resolving on terms satisfactory to the Governing Entity all claims of HealthAmerica against the Allegheny Entities, AUMP and AUHS in respect of alleged defaults by AHERF and its Affiliates under risk bearing or risk sharing provider agreements, in respect of provider payment audit or reconciliation or alleged obligations, and any other matters that have been disputed between the Allegheny Entities, AUMP and AUHS on the one hand and HealthAmerica on the other hand.

7.11 Legal Matters. All legal matters affecting the transactions hereby shall be reasonably satisfactory to the Governing Entity. Without limiting the generality of the foregoing, the Governing Entity shall be satisfied that (i) the Attorney General of the Commonwealth of Pennsylvania shall have approved the terms of this Affiliation Agreement and (ii) the approval of the Orphans' Court of the transfer of the Transferred Endowments and the other transactions contemplated hereby and by the Settlement Agreement shall have been obtained.

VIII. CLOSING: TERMINATION OF AGREEMENT

8.1 Closing. Consummation of the affiliation and other transactions contemplated by and described in this Agreement (the "Closing") shall take place at the offices of AGH at 10:00 a.m. on the first business day following satisfaction or waiver of the conditions set forth in Articles 6 and 7, or at such time or place as the parties may mutually agree. Unless otherwise agreed in writing by the parties at Closing, the Closing shall be effective for accounting purposes as of 12:01 A.M. on the day following the Closing Date.

8.2 Action of the Allegheny Entities at Closing. At the Closing and unless otherwise waived in writing by the Governing Entity, the Allegheny Entities shall deliver:

(a) to the Governing Entity duly amended articles of incorporation substantially in the form set forth in Exhibit 2.1(a) hereto;

(b) to the Governing Entity duly amended bylaws substantially in the form set forth in Exhibit 2.1(b) hereto;

(c) to the Governing Entity copies of resolutions duly adopted by the board of directors or trustees of AUH-West, each Allegheny Entity, the Community Advisory Board of Allegheny Valley Hospital, the Community Advisory Board of AUMC-Canonsburg, and the member of AUH-West and each Allegheny Entity, authorizing and approving the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, including without limitation approval of the amended articles and bylaws contemplated by this Agreement, certified as true and in full force

and effect as of the Closing Date by the appropriate officers of AUH-West and such Allegheny Entity and the member of AUH-West and each Allegheny Entity;

(d) to the Governing Entity certificates executed and delivered on behalf of AUH-West and each Allegheny Entity by the duly authorized President, Vice President or other appropriate officer of AUH-West or such Allegheny Entity certifying that the representations and warranties of AUH-West or such Allegheny Entity contained in this Agreement are true and correct in all material respects on and as of the Closing Date, and that each and all of the terms, covenant and agreements to be complied with or performed by such Allegheny Entity on or before the Closing Date have been complied with and performed in all material respects; and

(e) to the Governing Entity the opinion, dated the Closing Date, of counsel to AUH-West and the Allegheny Entities with respect to the matters set forth on Schedule 8.2.

8.3 Action of the Governing Entity at Closing. At the Closing and unless otherwise waived in writing by the Allegheny Entities, the Governing Entity shall deliver to the Allegheny Entities:

(a) - written evidence that the conditions to the closing and the initial advance of loan proceeds under the Highmark Loan Agreement have been satisfied or been waived by Highmark;

(b) copies of resolutions duly adopted by the board of trustees or directors of the Governing Entity authorizing and approving the Governing Entity's execution and delivery of this Agreement and the transactions contemplated hereby, certified as true and in full force and effect as of the Closing Date by an appropriate officer of the Governing Entity; and

(c) certificates of the duly authorized President or a Vice President or other appropriate officer of the Governing Entity certifying that the representations and warranties of the Governing Entity contained in this Agreement are true and correct in all material respects on and as of the Closing Date, and that each and all of the terms, covenants and agreements to be complied with or performed by the Governing Entity on or before the Closing Date have been complied with and performed; and

(d) to the Allegheny Entities, the opinion, dated the Closing Date, of counsel to the Governing Entity with respect to the matters set forth on Schedule 8.3.

8.4 Termination Prior to Closing.

(a) Notwithstanding anything herein to the contrary, this Agreement may be terminated, and the transactions contemplated by this Agreement abandoned, upon notice by the terminating party to the other parties:

(i) at any time before the Closing, by mutual consent of the Governing Entity and the Allegheny Entities;

(ii) by the Allegheny Entities or the Governing Entity if a court of competent jurisdiction or other Governmental Authority shall have issued a nonappealable final order, decree or ruling or taken any other action, in each case having the effect of permanently restraining, enjoining or otherwise prohibiting consummation of the transactions contemplated by this Agreement;

(iii) at any time before the Closing, by the Governing Entity on the one hand, or the Allegheny Entities on the other hand, in the event of material breach of this Agreement by the non-terminating party or parties or if the satisfaction of any condition to such party's obligations under this Agreement becomes impossible or impracticable and the failure of such condition to be satisfied is not caused by a breach by the terminating party or parties (it being understood that no investigation or state of knowledge on the part of the Governing Entity, and no consent or approval that may be granted by the Governing Entity pursuant to Section 5.2 or otherwise, shall be deemed to cause a failure of the conditions expressed in Section 7.1); and

(iv) at any time after July 31, 1999, by the Allegheny Entities or the Governing Entity if the transactions contemplated by this Agreement have not been consummated on or before such date, provided that (A) the Governing Entity shall not be entitled to terminate this Agreement if the failure to consummate the transactions contemplated by this Agreement was caused by the breach or default on the part of the Governing Entity in respect of its representations, warranties or covenants hereunder or under the Global AHERF Settlement Agreement, and (B) the Allegheny Entities shall not be entitled to terminate this Agreement if the failure to consummate the transactions contemplated by this Agreement was caused by a breach or default on the part of any of AUH-West, the Allegheny Entities, AUMP or AUHS in respect of its or their representations or warranties hereunder which breach or default has not been waived within ten days after written notice thereof has been given to the Governing Entity by the Allegheny Entities, or by a breach or default on the part of the Allegheny Entities in respect of its representations or warranties hereunder that to the knowledge of AUH-West or the Allegheny Entities were false or misleading when made, or by a breach by AUH-West or the Allegheny Entities of their obligations hereunder, or by a breach on the part of AUMP and/or AUHS (or their respective bankruptcy estates) of such parties' representations or warranties in the Global AHERF Settlement Agreement that to the knowledge of AUH-West or the Allegheny Entities were false or misleading when made, which in any such case, individually or in the aggregate, resulted in a Material Adverse Effect.

(b) (1) If this Agreement is validly terminated pursuant to this Section, this Agreement will be null and void, and, except as provided in Section 8.4(b)(2) and Section 8.5, there will be no liability on the part of any party (or any of their respective officers, directors, trustees, employees, agents, consultants or other representatives).

(2) If this Agreement is terminated pursuant to Section 8.4(a) and the basis for such termination is not attributable to the breach by the Governing Entity of its representations, warranties, covenants or agreements hereunder, and within one year after such termination or breach any of AUH-West, the Allegheny Entities, AUMP, AUHS or the Estates enters into any transaction involving any new corporate affiliation of or sale of the assets of such entity (including without limitation any transaction involving transfer of control or delegation of management authority with respect to such entity or any similar transaction involving the accession by a third party to any right, power, or interest in such entity or any management authority with respect thereto), other than a Carved-Out Transaction, whether pursuant to a bankruptcy plan of reorganization, liquidation, or otherwise, then, upon the closing of any such transaction, the Allegheny Entities, jointly and severally, shall pay to the Governing Entity in cash or by wire transfer of immediately available funds, (i) all of the out-of-pocket expenses incurred by the Governing Entity and The Western Pennsylvania Healthcare System Inc. in connection with evaluation of, investigations related to, and negotiation of, the transaction contemplated hereby and by the Global AHERF Settlement Agreement plus (ii) a break-up fee of \$10 million. None of the Allegheny Entities shall enter into any agreement to undertake any such transaction unless the purchaser, transferee or new affiliate (as the case may be) binds itself, jointly and severally with the Allegheny Entities and for the benefit of the Governing Entity, to pay such amounts at such time.

~~(c) As used in this Section 8.4, any termination rights of the Allegheny Entities may only be exercised through the unanimous decision of all Allegheny Entities to terminate and not by one or more (but less than all) Allegheny Entities.~~

8.5 Remedies. If any of the representations and warranties of AUH-West and the Allegheny Entities shall prove to be false or misleading as of the date hereof or as of the Closing Date, the Governing Entity agrees that absent actual fraud (including without limitation, the making of a representation or warranty by any of the Allegheny Entities that to the knowledge of the Allegheny Entities was false or misleading in a material respect at the time it was made which in any such case (individually or in the aggregate with any other such false or misleading representations or warranties) results in a Material Adverse Effect), or the material breach by one or more of AUH-West or the Allegheny Entities of its obligations hereunder, the remedies of the Governing Entity shall be limited to the express remedies set forth in Section 8.4(a) and Section 8.4(b). To the extent that the Governing Entity is entitled to recover damages hereunder, the Governing Entity agrees that the amount of damages to which it shall be entitled shall be reduced by any amount actually paid to it pursuant to Section 8.4(b).

IX. GENERAL

9.1 Non-Survival of Representations, Warranties and Agreements. Except as expressly provided in Section 5.9, none of the representations, warranties and agreements in this Agreement or in any other document or instrument delivered pursuant to this Agreement shall survive the Closing except for those agreements which by their express terms are to be performed after the Closing.

9.2 Tax and Government Reimbursement Program Effect. None of the parties (nor such parties' counsel or accountants) has made or is making in this Agreement any representation to any other party (or such party's counsel or accountants) concerning any of the Tax or Government Reimbursement Program effects or consequences on the other party of the transactions provided for in this Agreement (provided that nothing in this Section 9.2 shall limit or restrict the representations and warranties of the Allegheny Entities hereunder). Each party represents that it has obtained, or may obtain, independent Tax and Government Reimbursement Program advice with respect thereto and upon which it, if so obtained, has solely relied or will solely rely.

9.3 Consents, Approvals and Discretion. Except as herein expressly provided to the contrary, whenever this Agreement requires any consent or approval to be given by either party or either party must or may exercise discretion, such consent or approval shall not be unreasonably withheld or delayed and such discretion shall be reasonably exercised. Notwithstanding any other provision of this Section 9.3, any consent or approval contemplated by Section 5.2 or Article VII may be given or withheld by the Governing Entity in its sole discretion. In no event will the granting or withholding of any consent or approval by the Governing Entity with respect to any action or omission of AUH-West or any Allegheny Entity give rise to any liability on the part of the Governing Entity (it being understood that this sentence will not excuse any breach or default on the part of the Governing Entity under this Agreement).

9.4 Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to such state's conflicts of laws rules.

9.5 Benefit; Assignment. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. The Western Pennsylvania Healthcare System Inc. shall be a third party beneficiary of and shall be entitled to enforce the rights of the Governing Entity under, this Agreement. No waiver of the condition set forth in Section 7.7(a) and no amendment of Section 5.9 shall be effective without the prior written consent of the PBGC, and the PBGC shall be a third party beneficiary of, and shall be entitled to enforce, the provisions of Section 5.9. No party may assign this Agreement without the prior written consent of the other parties, provided that the Governing Entity may assign this Agreement, in whole or in part, to any Affiliate of the Governing Entity.

9.6 No Third Party Beneficiary. Except as is expressly set forth in Section 9.5, the terms and provisions of this Agreement are intended solely for the benefit of the parties and their respective successors and permitted assigns, and are not intended to confer third-party beneficiary rights upon any other Person, including without limitation AHERF, the Trustee, the Estates, any Affiliate of AHERF other than the Allegheny Entities, any employee or creditor of any Allegheny Entity or of AHERF or any of its affiliates. In no event shall The Western Pennsylvania Healthcare System, Inc. be liable or responsible for any acts or omissions of the Governing Entity.

9.7 Waiver of Breach, Right or Remedy. The waiver by any party of any breach or violation by another party of any provision this Agreement or of any right or remedy permitted the waiving party in this Agreement (i) shall not waive or be construed to waive any subsequent breach or violation of the same provision, (ii) shall not waive or be construed to waive a breach or violation of any other provision, and (iii) shall be in writing and may not be presumed or inferred from any party's conduct. Except as expressly provided otherwise in this Agreement no remedy conferred by this Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be in addition to every other remedy granted in this Agreement or now or hereafter existing at law or in equity, by statute or otherwise. The election of any one or more remedies by a party shall not constitute a waiver of the right to pursue other available remedies. In addition to any other rights and remedies any party may have at law or in equity for breach of this Agreement, each party shall be entitled to seek an injunction to enforce the provisions of this Agreement.

9.8 Notices. Any notice, demand or communication required, permitted or desired to be given hereunder shall be deemed effectively given if given in writing (i) on the date tendered by personal delivery, (ii) on the date received by facsimile or other electronic means (including telegraph and telex), (iii) the day after the date tendered for delivery by nationally recognized overnight courier, or (iv) three days after the date tendered for delivery by United States mail, with postage prepaid thereon, certified mail, return receipt requested, in any event addressed as follows:

If to the Governing Entity:

The Healthcare Alliance for Western Pennsylvania, Inc.
c/o The Western Pennsylvania Healthcare System, Inc.
4800 Friendship Avenue
Pittsburgh, PA 15224
Attn: Jerry J. Fedele, Esq.
Facsimile: (412) 578-1296

with a copy to:

Kalkines, Arky, Zall & Bernstein LLP
1675 Broadway
New York, N.Y. 10019
Attn: Peter F. Olberg, Esq.
Facsimile: (212) 541-9250

If to AUH-West:

Anthony M. Sanzo
President and Chief Executive Officer
320 East North Avenue
Pittsburgh, PA 15212
Phone: 412-359-3005
Fax: 412-359-3888

If to Allegheny General Hospital:

Connie M. Cibrone
President and Chief Executive Officer
320 East North Avenue
Pittsburgh, PA 15212
Phone: 412-359-6583
Fax: 412-359-3888

If to AUMC:

Barry H. Roth
President and Chief Executive Officer
500 Finley Street
Pittsburgh, PA 15206
Phone: 412-665-3320
Fax: 412-665-3240

and in each case, with a copy to:

David L. McClenahan, Esquire
Kirkpatrick & Lockhart LLP
1500 Oliver Building
Pittsburgh, PA 15222
Phone: 412-355-6484
Fax: 412-355-6501

or to such other address or number, and to the attention of such other Person, as a given party may designate at any time in writing in conformity with this Section.

9.9 Severability. If any provision of this Agreement, of the PBGC Agreement or of the Global AHERF Settlement Agreement is held or determined to be illegal, invalid or unenforceable under any law, and if in the sole judgment of the Governing Entity the rights or obligations of any party under this Agreement will not be materially and adversely affected thereby: (a) such provision will be fully severable; (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof; (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom; and (d) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

9.10 Entire Agreement; Amendment. This Agreement supersedes the Letter of Intent, except that the provisions of paragraph 4 of the Letter of Intent shall continue to bind the parties as if set forth at length herein. This Agreement, the PBGC Agreement, the Settlement Agreement and paragraph 4 of the Letter of Intent supersede all previous contracts, agreements and understandings and constitute the entire agreement of whatsoever kind or nature existing

06/28/99 11:17 FAX 2124-18250

KALITNES, ARNY, ZALL, ETC.

0604/010

between or among the parties representing the within subject matter and no party shall be entitled to benefits other than those specified herein and therein. This Agreement may be executed in two or more counterparts, each and all of which shall be deemed an original and all of which together shall constitute but one and the same instrument. This Agreement may not be amended except in a written instrument executed by the parties. This Agreement shall not be effective until it has been executed and delivered by all parties herein. The presentation of a facsimile of a signature of a party on the signature page of this Agreement shall have the same effect as delivery of a manually signed original of a counterpart hereof.

9.11 Waiver of Jury Trial. The parties hereto hereby irrevocably waive all right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in multiple originals by their duly authorized officers as of the date set forth above.

ALLEGHENY UNIVERSITY
HOSPITALS - WEST

ALLEGHENY GENERAL HOSPITAL

X
By: [Signature]
Title: Chairman

By: _____
Title: _____

ALLEGHENY UNIVERSITY MEDICAL
CENTERS

AUMC - CANONSHURG

By: _____
Title: _____

By: _____
Title: _____

ALLEGHENY SINGER RESEARCH
INSTITUTE

THE HEALTHCARE ALLIANCE FOR
WESTERN PENNSYLVANIA, INC.

By: _____
Title: _____

By: _____
Title: _____

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**ALLEGHENY UNIVERSITY
HOSPITALS - WEST**

ALLEGHENY GENERAL HOSPITAL

By: _____
Title: _____

By: _____
Title: _____

**ALLEGHENY UNIVERSITY MEDICAL
CENTERS**

AUMC - CANONSBURG

By: *Benny H. Kalk*
Title: Pres & CEO

By: *Benny H. Kalk*
Title: Pres & CEO

**ALLEGHENY SINGER RESEARCH
INSTITUTE**

**THE HEALTHCARE ALLIANCE FOR
WESTERN PENNSYLVANIA, INC.**

By: _____
Title: _____

By: _____
Title: _____

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ALLEGHENY UNIVERSITY
HOSPITALS - WEST

By: _____
Title: _____

ALLEGHENY GENERAL HOSPITAL

By: [Signature]
Title: (C)

ALLEGHENY UNIVERSITY MEDICAL
CENTERS

By: _____
Title: _____

AUMC - CANONSBURG

By: _____
Title: _____

ALLEGHENY SINGER RESEARCH
INSTITUTE

By: [Signature]
Title: (C)

THE HEALTHCARE ALLIANCE FOR
WESTERN PENNSYLVANIA, INC.

By: _____
Title: _____

004677010200125047.15

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in multiple originals by their duly authorized officers as of the date set forth above.

ALLEGHENY UNIVERSITY
HOSPITALS - WEST

ALLEGHENY GENERAL HOSPITAL

By: _____
Title: _____

By: _____
Title: _____

ALLEGHENY UNIVERSITY MEDICAL
CENTERS

AUMC - CANONSBURG

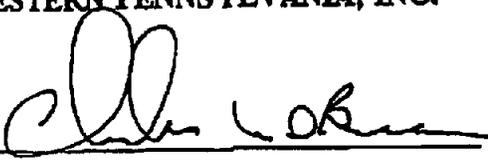
By: _____
Title: _____

By: _____
Title: _____

ALLEGHENY SINGER RESEARCH
INSTITUTE

THE HEALTHCARE ALLIANCE FOR
WESTERN PENNSYLVANIA, INC.

By: _____
Title: _____

By: 
Title: _____

ALLEGHENY MEDICAL PRACTICE NETWORK

CONFLICTS OF INTEREST POLICY

Article I

Purpose

The purpose of this conflicts of interest policy is to protect the interest of Allegheny Medical Practice Network (the "Corporation") when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a director or officer of the Corporation. This policy is intended to supplement but not replace any Pennsylvania laws and regulations governing conflicts of interest applicable to charitable not-for-profit corporations.

Article II

Definitions

1. Interested Person

Any director, principal officer, or member of a committee with board delegated powers who has a direct or indirect financial interest, as defined below, is an "interested person." 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 system.

2. Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment or family:

- a. an ownership or investment interest in any entity with which the Corporation has a transaction or arrangement; or
- b. a compensation arrangement with the Corporation or any entity or individual with which the Corporation has a transaction or arrangement; or
- 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.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate board or committee decides that a conflict of interest exists.

Article III

Procedures

1. **Duty to Disclose**

In connection with any actual or possible conflicts of interest, an interested person must disclose the existence of his or her financial interest and must be given the opportunity to disclose all material facts to the directors and members of the committees with board delegated powers considering the proposed transaction or arrangement.

2. **Determining Whether a Conflict of Interest Exists**

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

3. **Procedures for Addressing the Conflict of Interest**

a. An interested person may make a presentation at the board or committee meeting, but after such presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that results in the conflict of interest.

b. The chairperson of the board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

c. After exercising due diligence, the board or committee shall determine whether the Corporation can 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.

d. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Corporation's best interest and for its own benefit and whether the transaction is fair and reasonable to the Corporation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

4. **Violations of the Conflicts of Interest Policy**

a. If the board or committee has reasonable cause to believe that a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

b. If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the board or committee determines that the member has in fact failed to disclose an actual or potential conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV

Records of Proceedings

The minutes of the board and all committees with board-delegated powers shall contain:

1. ~~the names of the 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's or committee's decision as to whether a conflict of interest in fact existed.~~
2. 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.

Article V

Compensation

1. A voting member of the board of directors who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.

2. A physician who is a voting member of the board of directors and receives compensation, directly or indirectly, from the Corporation for services is precluded from discussing and voting on matters pertaining to that member's and other physicians' compensation. No physician or physician director, either individually or collectively, is prohibited from providing information to the board of directors regarding physician compensation.

3. A voting member of 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.

4. Physicians who receive compensation, directly or indirectly, from the Corporation, whether 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.

Article VI

Annual Statements

Each director, principal, officer and member of a committee with board delegated powers shall annually sign a statement which affirms that such person:

- a. has received a copy of this 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 under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), the Corporation must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII

Periodic Reviews

To ensure that the Corporation operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from Federal income taxation under Code Section 501(c)(3), the Corporation shall conduct periodic reviews. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable and are the result of arm's-length bargaining.
- b. Whether acquisitions of physician practices and other provider services result in inurement or impermissible private benefit.
- c. Whether partnership and joint venture arrangements, and arrangements with

management service organizations and physician-hospital organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the Corporation's charitable purposes and do not result in inurement or impermissible private benefit.

- d. Whether agreements to provide health care and agreements with other health care providers, employees, and third party payors further the Corporation's charitable purposes and do not result in inurement or impermissible private benefit.

Article VIII

Use of Outside Experts

In conducting the periodic reviews provided for in Article VII, the Corporation may, but need not, use outside advisors. If outside experts are used their use shall not relieve the board of its responsibility for ensuring that periodic reviews are conducted.

* * *

This Conflict of Interest Policy was adopted by the Corporation's board of directors by Unanimous Written Consent dated as of November 12, 1999.

Power of Attorney and Declaration of Representative

▶ See the separate instructions.

OMB No 1545-0150
 For IRS Use Only
 Received by:
 Name _____
 Telephone _____
 Function _____
 Date / /

Part I Power of Attorney (Please type or print.)

1 Taxpayer information (Taxpayer(s) must sign and date this form on page 2, line 9.)

Taxpayer name(s) and address Allegheny Medical Practice Network c/o Allegheny General Hospital 320 E. North Ave. Pittsburgh, PA 15212	Social security number(s) _____ _____ _____	Employer identification number 25 1838457 Plan number (if applicable)
		Daytime telephone number (212) 359-4918

hereby appoint(s) the following representative(s) as attorney(s)-in-fact:

2 Representative(s) (Representative(s) must sign and date this form on page 2, Part II.)

Name and address Michael A. Lehmann 1675 Broadway, 27th Floor New York, NY 10019	CAF No. _____ Telephone No. (212) 830-7258 Fax No. (212) 541-9250 Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/>
Name and address	CAF No. _____ Telephone No. _____ Fax No. _____ Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/>
Name and address	CAF No. _____ Telephone No. _____ Fax No. _____ Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/>

to represent the taxpayer(s) before the Internal Revenue Service for the following tax matters:

3 Tax matters

Type of Tax (Income, Employment, Excise, etc.)	Tax Form Number (1040, 941, 720, etc.)	Year(s) or Period(s)
Application for Recognition	Form 1023	All
of Section 501(c)(3) status		

4 Specific use not recorded on Centralized Authorization File (CAF). If the power of attorney is for a specific use not recorded on CAF, check this box. (See instruction for Line 4—Specific uses not recorded on CAF.)

5 Acts authorized. The representatives are authorized to receive and inspect confidential tax information and to perform any and all acts that I (we) can perform with respect to the tax matters described on line 3, for example, the authority to sign any agreements, consents, or other documents. The authority does not include the power to receive refund checks (see line 6 below), the power to substitute another representative unless specifically added below, or the power to sign certain returns (see instruction for Line 5—Acts authorized).

List any specific additions or deletions to the acts otherwise authorized in this power of attorney: _____

Note: In general, an unenrolled preparer of tax returns cannot sign any document for a taxpayer. See Revenue Procedure 81-38, printed as Pub. 470, for more information.

Note: The tax matters partner of a partnership is not permitted to authorize representatives to perform certain acts. See the instructions for more information.

6 Receipt of refund checks. If you want to authorize a representative named on line 2 to receive, **BUT NOT TO ENDORSE OR CASH**, refund checks, initial here _____ and list the name of that representative below.

Name of representative to receive refund check(s) ▶ _____

Form 2848 (Rev. 12-87)

7 Notices and communications. Original notices and other written communications will be sent to you and a copy to the first representative listed on line 2 unless you check one or more of the boxes below.

- a If you want the first representative listed on line 2 to receive the original, and yourself a copy, of such notices or communications, check this box
- b If you also want the second representative listed to receive a copy of such notices and communications, check this box
- c If you do not want any notices or communications sent to your representative(s), check this box

8 Retention/revocation of prior power(s) of attorney. The filing of this power of attorney automatically revokes all earlier power(s) of attorney on file with the Internal Revenue Service for the same tax matters and years or periods covered by this document. If you do not want to revoke a prior power of attorney, check here.
YOU MUST ATTACH A COPY OF ANY POWER OF ATTORNEY YOU WANT TO REMAIN IN EFFECT.

9 Signature of taxpayer(s). If a tax matter concerns a joint return, both husband and wife must sign if joint representation is requested, otherwise, see the instructions. If signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, or trustee on behalf of the taxpayer, I certify that I have the authority to execute this form on behalf of the taxpayer.

▶ IF NOT SIGNED AND DATED, THIS POWER OF ATTORNEY WILL BE RETURNED.

X 
Signature

11/19/99
Date

Secretary
Title (if applicable)

Andrew E. Thurman
Print Name

Signature

Date

Title (if applicable)

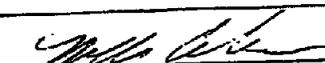
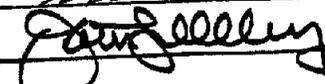
Print Name

Part II Declaration of Representative

Under penalties of perjury, I declare that:

- I am not currently under suspension or disbarment from practice before the Internal Revenue Service;
- I am aware of regulations contained in Treasury Department Circular No. 230 (31 CFR, Part 10), as amended, concerning the practice of attorneys, certified public accountants, enrolled agents, enrolled actuaries, and others;
- I am authorized to represent the taxpayer(s) identified in Part I for the tax matter(s) specified there; and
- I am one of the following:
 - a Attorney—a member in good standing of the bar of the highest court of the jurisdiction shown below.
 - b Certified Public Accountant—duly qualified to practice as a certified public accountant in the jurisdiction shown below.
 - c Enrolled Agent—enrolled as an agent under the requirements of Treasury Department Circular No. 230.
 - d Officer—a bona fide officer of the taxpayer's organization.
 - e Full-Time Employee—a full-time employee of the taxpayer.
 - f Family Member—a member of the taxpayer's immediate family (i.e., spouse, parent, child, brother, or sister).
 - g Enrolled Actuary—enrolled as an actuary by the Joint Board for the Enrollment of Actuaries under 29 U.S.C. 1242 (the authority to practice before the Service is limited by section 10.3(d)(1) of Treasury Department Circular No. 230).
 - h Unenrolled Return Preparer—an unenrolled return preparer under section 10.7(c)(viii) of Treasury Department Circular No. 230.

▶ IF THIS DECLARATION OF REPRESENTATIVE IS NOT SIGNED AND DATED, THE POWER OF ATTORNEY WILL BE RETURNED.

Designation—Insert above letter (a-h)	Jurisdiction (state) or Enrollment Card No.	Signature	Date
a	NY		11/19/99
a	NY		11/19/99

Ex 6

Draft - November 15, 1999

MEMBER WITHDRAWAL AGREEMENT

Member Withdrawal Agreement (this "Agreement"), dated as of November __, 1999, by and between The Healthcare Alliance For Western Pennsylvania, Inc. ("HAWP") and West Penn Allegheny Health System, Inc. ("WPAHS"), each of which is a Pennsylvania nonprofit corporation.

RECITALS:

WHEREAS, HAWP is the sole member of Allegheny General Hospital ("AGH"), Allegheny University Medical Centers ("AUMC"), Allegheny Singer Research Institute ("ASRI"), Allegheny Medical Practice Network ("AMPN"), Allegheny Specialty Practice Network ("ASPN"), and through its membership in AUMC exercises all member authority with respect to AUMC-Canonsburg ("Canonsburg" and, together with AGH, AUMC, ASRI, AMPN, and ASPN, the "Constituent Corporations"); and

WHEREAS, HAWP was formed for the express purpose of supporting a health care system comprised of charitable nonprofit health care organizations serving the Western Pennsylvania community; and

WHEREAS, HAWP has determined that the financial viability of the health care system comprised of the Constituent Corporations (the "System") requires a restructuring of the existing capital and debt structures of each of the Constituent Corporations; and

WHEREAS, as the supporting organization of the System, HAWP desires to facilitate that restructuring; and

WHEREAS, WPAHS has presented to HAWP a plan for restructuring the capital and debt structure of the Constituent Corporations (the "Restructuring Plan"), which plan requires affiliation of the Constituent Corporations comprising the System with the operating entities comprising another regional nonprofit health care system serving the Western Pennsylvania region, referred to in the community as The Western Pennsylvania Healthcare System (the "WestPenn System"), the supporting organization of which is The Western Pennsylvania Healthcare System, Inc. ("WestPenn"); and

WHEREAS, after extensive analysis of available options, HAWP has determined that the Restructuring Plan constitutes the most effective manner of achieving the desired restructuring; and

WHEREAS, WPAHS is, simultaneously herewith, entering into an agreement with WestPenn (the "WestPenn Agreement"), pursuant to which WestPenn will surrender its governance authority with respect to the operating corporations comprising the WestPenn System, and WPAHS will become the sole member of each of those entities, subject to the satisfaction of various conditions prerequisite to such transaction, including without limitation the formation by WPAHS of a regional healthcare system that includes the corporations comprising the System; and

WHEREAS, to permit WPAHS to complete formation of a system comprised of both the System and the WestPenn System, on and subject to the terms of this Agreement, HAWP is willing to withdraw as member of the Constituent Corporations (and, in the case of Canonsburg, to surrender its governance authority with respect thereto (the "Canonsburg Governance Authority")) and to amend the bylaws of each of the Constituent Corporations so that WPAHS may become the sole Member of each of the Constituent Corporations and/or exercise the Canonsburg Governance Authority; and

WHEREAS, on and subject to the terms of this agreement, WPAHS is willing to become the sole member of each of the Constituent Hospitals and, in the case of Canonsburg, to exercise the Canonsburg Governance Authority;

NOW, THEREFORE, in consideration of the foregoing premises, and the mutual covenants contained herein, and wishing to be legally bound hereby, the parties hereto hereby agree as follows:

Section 1. Affiliation Transaction. Effective as of the Closing (defined below), HAWP will adopt amended and restated bylaws for each of the Constituent Corporations in substantially the form of Exhibit A hereto, with such changes thereto as may be acceptable to WPAHS in its sole discretion. Such amendment to the bylaws is referred to herein as the "affiliation transaction".

Section 2. The Closing. The closing of the affiliation transaction (the "Closing") shall, subject to the satisfaction of the conditions thereto set forth below, take place on January 31, 2000 or such other date as may be mutually agreed upon by the parties.

Section 3. Conditions to HAWP's Obligation to Close. HAWP's obligation to close the affiliation transaction is subject to the fulfillment of the following conditions, or the waiver thereof by HAWP in its sole discretion:

a. The transaction contemplated by the WestPenn Agreement shall have closed, or shall close simultaneously with the affiliation transaction.

b. Simultaneously with the closing of the affiliation transaction, the Restructuring Plan shall be implemented in a manner satisfactory to HAWP.

c. All governmental approvals required in connection with the Closing shall have been obtained.

Section 4. Conditions to WPAHS's Obligation to Close. WPAHS's obligation to close the affiliation transaction is subject to the fulfillment of the following conditions, or the waiver thereof by WPAHS in its sole discretion:

a. The transaction contemplated by the WestPerm Agreement shall have closed, or shall close simultaneously with the affiliation transaction.

b. Simultaneously with the closing of the affiliation transaction, the Restructuring Plan shall be implemented in a manner satisfactory to WPAHS.

c. The Constituent Corporations shall have entered into and delivered to WPAHS such agreements as WPAHS shall, in its sole discretion, require.

d. All governmental approvals required in connection with the Closing shall have been obtained.

Section 5. Termination of Agreement. Either party hereto may terminate this Agreement upon 30 days written notice to the other party.

Section 6. Cooperation. Each party hereto agrees to use all reasonable efforts to facilitate satisfaction of the conditions to the Closing, and to cooperate with the other party in such other party's efforts to fulfill its obligations hereunder.

Section 7. Miscellaneous. This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania. This Agreement may be executed in two or more counterparts, each of which shall be an original, and all of which together shall constitute one and the same instrument. This Agreement may be modified only by a writing signed by both parties hereto. Neither party hereto may assign its rights, or delegate its obligations, hereunder without the prior written consent of the other party. The terms and provisions of this Agreement are intended solely for the benefit of the parties hereto and their respective successors and permitted assigns, and are not intended to confer third-party beneficiary rights upon any third party.

IN WITNESS WHEREOF, each party has caused this Agreement to be executed by its duly authorized officers as of the date set forth above.

THE HEALTHCARE ALLIANCE FOR
WESTERN PENNSYLVANIA, INC.

By: _____
Title: _____

WEST PENN ALLEGHENY HEALTH SYSTEM,
INC.

By: _____
Title: _____

EXHIBIT A
AMENDED AND RESTATED
BYLAWS
OF
[NAME OF CONSTITUENT HOSPITAL]

ARTICLE I

NAME AND LOCATION

Section 1. Name. The name of the Corporation is _____.

Section 2. Principal Office. The principal office of the Corporation shall be located at _____, or at such other address as the Board of Directors shall determine.

ARTICLE II

PURPOSE; PARTICIPATION IN SYSTEM

Section 1. Purpose. The purposes of the Corporation are as set forth in the Articles of Incorporation and include the following:

(1) To provide, maintain, operate, and support the provision, maintenance and operation of, on a not-for-profit basis, in-patient and out-patient hospital facilities and health care services throughout Western Pennsylvania, to all persons who are acutely ill or otherwise 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, all in a manner that is described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"); and

(2) To carry on educational and scientific activities related to the care of the sick and injured.

(3) To carry on scientific research related to the care of the sick and injured.

(4) To carry on activities designed and carried on to promote the general health of the Western Pennsylvania community.

(5) To maintain itself as a not-for-profit corporation organized exclusively for charitable, scientific and educational purposes, with activities conducted in such a manner that no part of its net earnings shall inure to the benefit of any member, Director, officer or other individual. Upon termination, dissolution or winding up, the assets remaining after payment of all liabilities shall be distributed to another organization described in Section 501(c)(3) of the Code as selected by the Directors in their sole discretion, subject, however, to prior notice to the Attorney General of the Commonwealth of Pennsylvania (the "Attorney General"), approval by the Orphans' Court of the Commonwealth of Pennsylvania (the "Orphans' Court"), and all applicable law.

(6) To exercise such powers in furtherance of the foregoing purposes as are now or may be granted hereafter by the Nonprofit Corporation Law of the Commonwealth of Pennsylvania, as amended from time to time, or any successor legislation (the "PNCL").

Section 2. Participation in System. The Corporation is a constituent entity of the health care system serving Western Pennsylvania known as West Penn Allegheny Health System (the "System") which, as of the date of the adoption of these bylaws, is comprised of affiliated hospitals and certain other affiliated organizations. These Bylaws, among other things, establish the relative authority and responsibility of the entities and individuals participating in the governance and management of the Corporation in its capacity as part of the System.

ARTICLE III

MEMBER

Section 1. Member. Subject to Section 9 of this Article III, the sole voting member of the Corporation (the "Member") shall be West Penn Allegheny Health System, Inc. (the "Member"), acting through its Board of Directors (the "Member Board"), or through its Executive Committee (the "Member Executive Committee") or designated officers of the Member (the "Designated Representatives") to the extent that the Member has, pursuant to its Bylaws or by resolution duly adopted by the Member Board, delegated its authority herein to the Member Executive Committee or to a Designated Representative; provided, however, that neither the Member Executive Committee nor any Designated Representative shall have the authority to act on behalf of the Member with respect to any of the actions identified in Section 2.B of this Article III.

Section 2. Powers and Rights of Member.

A. The Member shall have such powers and rights as are set forth in the PNCL and the Articles of Incorporation of the Corporation. Without limiting and in addition to such

powers and rights, the Member shall have the exclusive authority to exercise the following powers:

- (1) Adopt and/or approve and interpret the statement of mission and philosophy of the Corporation, and require the Corporation to operate in conformance with its statement of mission and philosophy;
- (2) Adopt and/or approve amendments or restatements of the bylaws and Articles of Incorporation of the Corporation, subject, however, to Section 9 of this Article III, and with respect to amendments of the following provisions in the bylaws and Articles of Incorporation of the Corporation, subject to prior notice to the Attorney General and the prior approval of the Orphans' Court: (i) provisions setting forth the purposes of the Corporation; (ii) provisions setting forth the powers reserved exclusively to the Member; (iii) provisions describing the manner in which the assets of the Corporation are to be distributed upon termination, dissolution or winding up of the Corporation; and (iv) provisions requiring notice to the Attorney General or approval of the Orphans' Court prior to the taking of certain action by the Corporation.
- (3) Fix the number of, and elect, appoint, fill vacancies in and remove, with or without cause, the Directors; and elect and remove, with or without cause, the Chair and Vice Chair of the Board of Directors of the Corporation, and the Secretary and Treasurer of the Corporation; provided that no Director or officer shall be removed by the Member without 10 days prior notice of such removal from the Member to the Board of Directors;
- (4) Designate the administrative structure of the Corporation and, after consultation with the Board of Directors of the Corporation, elect and remove, with or without cause, the President and Chief Executive Officer and all vice presidents and other officers of the Corporation, provided that no officer shall be removed by the Member without 10 days prior notice of such removal from the Member to the Board of Directors;
- (5) Cause or approve any merger, consolidation, division, conversion, or dissolution of the Corporation, or the filing of a petition in bankruptcy or execution of a deed of assignment for the benefit of creditors;
- (6) Approve or cause the Corporation to engage in any acquisition or any sale, lease, exchange, mortgage, pledge or other alienation of any personal property of the Corporation having a value in excess of an amount to be fixed from time to time by the Member or any real property of the Corporation;
- (7) Adopt and/or approve any capital or operating budgets of the Corporation, and approve or direct any unbudgeted expenditure to be

undertaken individually or collectively by the Corporation and any affiliated corporations controlled by the Corporation (other than unbudgeted expenditures which are required in order for the Corporation to be in compliance with applicable laws, rules and regulations, and state licensing and accreditation requirements), where the cumulative amount of such unbudgeted expenditures is in excess of an amount to be fixed from time to time by the Member;

(8) Adopt and/or approve any operating plan or financial plan with respect to the Corporation, and require the Corporation to comply with such operating or financial plan;

(9) Approve and/or cause the Corporation to undertake or engage itself in respect of any bond issuance or any other indebtedness for borrowed money of the Corporation, or any lending of funds by the Corporation to an unrelated person, corporation or other legal entity, including without limitation any capital leases (other than indebtedness to provide funds for expenditures necessary in order for the Corporation to be in compliance with applicable laws, rules and regulations, and state licensing and accreditation requirements, to the extent such funds are not otherwise reasonably available), representing obligations of the Corporation in excess of an amount per annum in the aggregate established from time to time by the Member;

(10) Establish and/or approve the criteria for, and conduct the evaluation of, the performance of the President and Chief Executive Officer and all vice presidents and officers of similar rank of the Corporation;

(11) Approve and/or cause the adoption by the Corporation of proposed settlements of litigation when such settlements exceed applicable insurance coverage or the amounts reserved in respect thereof of any applicable self-insurance fund;

(12) Approve and/or cause the adoption by the Corporation of any contracts between the Corporation and any managed care organization (including without limitation any health maintenance organization or independent practice association) or insurance company;

(13) Approve and/or cause any corporate reorganization of the Corporation or the establishment or dissolution of any subsidiary organizations, including corporations, partnerships or other entities, of the Corporation;

(14) Adopt and/or approve the strategic plan of the Corporation; and

(15) Approve or direct the taking of any other action outside of ordinary course of business and such matters as are required to be submitted to corporate members of a Pennsylvania nonprofit corporation.

Except as otherwise required by the PNCL, and subject to Section 9 of this Article III, the action of the Member with respect to each of the foregoing actions shall be sufficient to approve such actions, no action by the Board of Directors of the Corporation shall be required with respect to any such actions, and, to the full extent permitted by law, no action of the Board of Directors with respect to any such actions shall be effective for any purpose without the approval of the Member.

B. Each of the following actions may be approved by the Member only through action of the Member Board, and not through action of the Member Executive Committee or any Designated Representative:

(1) The adoption or approval of a statement of mission and philosophy of the Corporation;

(2) The adoption or approval of any amendments of the Bylaws or Articles of Incorporation of the Corporation;

(3) The approval of any merger, consolidation, division, conversion, or dissolution of the Corporation, or the filing of a petition in bankruptcy or execution of a deed of assignment for the benefit of creditors, or the sale or other disposition of all or substantially all of the assets of the Corporation;

(4) The election, appointment and removal of the Directors, the Chair and Vice Chair of the Board of Directors of the Corporation, and the Secretary and Treasurer of the Corporation; and

(5) The approval of any bond issuance or incurrence of any other indebtedness for borrowed money of the Corporation, or any lending of funds by the Corporation to an unrelated person, corporation or other legal entity, including without limitation any capital leases.

Section 3. Meetings of Member. Meetings of the Member may be held at such place within the Commonwealth of Pennsylvania as the Member may from time to time determine, or as may be designated in the notice of the meeting.

Section 4. Annual Meeting of the Member.

A. Unless otherwise fixed by the Member, the annual meeting of the Corporation shall be held in June of each year. At each annual meeting, (i) the Board of Directors shall present to the Member an annual report regarding the financial performance of the

Corporation, and (ii) the Member shall appoint the Board of Directors of the Corporation in accordance with Article IV and all officers that pursuant to the Bylaws are then to be appointed by the Member. If the annual meeting shall not be called and held within one (1) month of the date specified in this Article III, Section 4 or fixed by the Member in accordance with this Article III, Section 4, as applicable, any members of the Board of Directors and any officers theretofore appointed by the Member shall continue to serve unless removed by the Member (or unless the applicable member of the Board of Directors or officer resigns), and a special meeting may be held in place thereof with the same force and effect as the annual meeting, and in such case all references in these Bylaws, except in this Article III, Section 4, to the annual meeting of the Corporation shall be deemed to refer to such special meeting. Any such special meeting shall be called and notice given as provided in Article III, Sections 5 and 7, as applicable.

B. Immediately after each annual appointment of the Board of Directors by the Member at the annual meeting or a special meeting, the Board of Directors of the Corporation shall meet for the transaction of business to be conducted by the Board of Directors at the place where the annual or special meeting of the Member was held. Notice of such meeting need not be given. If such meeting is to be held at any other time or place, notice thereof shall be given as provided in Article V, Section 1 for special meetings of the Board of Directors.

Section 5. Special Meetings of the Member. Special meetings of the Member shall be held whenever called by the Board of Directors of the Corporation, or by written demand of the Member.

Section 6. Action Without a Meeting. 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 actions so taken shall be signed by the Member, and filed with the Secretary of the Corporation.

Section 7. Notice of Meetings; Participation by Conference Telephone.

A. Unless otherwise provided in these Bylaws, whenever written notice is required to be given to the Member under the provisions of the Articles of Incorporation, these Bylaws, or the PNCL, it may be given by sending a copy thereof first class mail, postage prepaid, by personal delivery, or in the case of notices other than notices of meetings, by telecopy with confirmed receipt to the address of the Member appearing on the books of the Corporation. If the notice is sent by mail, it shall be deemed to have been given to the Member entitled thereto when deposited in the United States mail, postage prepaid. A notice of meeting shall specify the place, day and hour of the meeting and any other information required by law or these Bylaws, and, unless the meeting is an annual meeting, shall indicate that the notice is being issued by or at the direction of the person(s) calling the meeting. Notice of each meeting of the Member shall be given not less than five days before the date of the meeting, except in the case where fundamental changes to the Corporation under Chapter 59 of the

PNCL will be considered, in which case such notice shall be given not less than ten days before the date of the meeting. Every such notice shall state the date, time and place of the meeting, and notices of special meetings of the Member shall also set forth the general nature of the business to be conducted at such meeting.

B. When a meeting is adjourned, it shall not be necessary to give any notice of the adjourned meeting and of the business to be transacted at an adjourned meeting in accordance with the provisions of this Article III, Section 7 if the day, time and place to which the meeting is adjourned is announced at the meeting at which the adjournment is taken.

C. Whenever notice of a meeting is required, such notice need not be given to the Member if a written waiver of notice executed by the Member is filed with the records of the Corporation. Attendance by the Member at any meeting of the Member shall constitute a waiver by the Member of notice of such meeting, except where the Member attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

D. One or more persons may participate in a meeting of the Member by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

Section 8. Resolutions. Whenever the language of a proposed resolution is included in a written notice of a meeting of the Member, the meeting considering the resolution may without further notice adopt it with such clarifying or other amendments as do not enlarge its original purpose.

Section 9. Additional Members. Notwithstanding anything herein to the contrary, upon the occurrence of a Triggering Event (as defined below), then effective immediately and automatically upon the occurrence of such Triggering Event and without further action by the Member, the voting members of the Corporation shall include, in addition to the Member identified in Section 1 of this Article III hereof, all of the then-current members of the Board of Directors of the Corporation, and any reference in these bylaws to "the Member" shall be deemed to be a reference to "the Members" as identified in this Article III, Section 9, each of whom shall have one vote, and all of whom together shall have the authority that, but for operation of this Article III, Section 9, would be vested in the Member. From and after the occurrence of a Triggering Event, (i) a majority of the Members shall constitute a quorum at any meeting of the Members and (ii) the affirmative vote of two-thirds (or greater) of the whole number of Members shall be required to approve any matter to be voted on by the Members. For purposes of this Section, "Triggering Event" shall mean any of the following occurrences:

(1) a Final Determination (as defined below) shall have been entered denying the Member's application for recognition as an Exempt Organization (as defined below) or revoking the Member's status as an Exempt Organization;

(2) the Member shall have taken all corporate action necessary to approve (x) the dissolution of the Member or (y) the filing by the Member of a voluntary petition in bankruptcy;

(3) the Member shall have admitted in writing its inability to pay its debts as they come due; or

(4) an involuntary petition for the dissolution and winding up of the Member shall have been filed, which such petition is not dismissed within 60 days of the filing thereof.

"Final Determination" shall mean a decision, judgment, decree or other order by the Internal Revenue Service or a court of competent jurisdiction which is final and unappealable, or which has become unappealable because the time for instituting an appeal has expired.

"Exempt Organization" shall mean an organization exempt from federal income taxation pursuant to Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code. Notwithstanding anything herein to the contrary, amendment of this Section 9 shall require approval of both the Member and at least two-thirds of the entire Board of Directors of the Corporation.

Section 10. Operating Reports. The Board of Directors of the Corporation shall submit operating reports to the Member in such form and on such schedule as shall be established by the Member. Such operating reports shall reflect the results of operations of the Corporation and of any affiliates of the Corporation that are controlled by the Corporation.

ARTICLE IV

THE BOARD OF DIRECTORS

Section 1. Powers and Responsibility. Subject to Article III hereof and to the other rights and powers of the Member specified herein or in the Articles of Incorporation or otherwise provided hereby or in the Articles of Incorporation or by law, the Board of Directors shall have charge, control, and management of the administrative affairs, property and funds of the Corporation and shall have the power and authority to do and perform all acts and functions not inconsistent with these Bylaws, the Articles of Incorporation, and applicable law, in each case as amended from time to time. Such responsibility shall include without limitation management of the Medical Staff as contemplated by Article VIII, Section 1 hereof; adoption, amendment, repeal and restatement of the Medical Staff Bylaws, as proposed by the Medical Staff pursuant to Article VIII, Section 1 hereof; implementation of any operational or financial plan adopted by the Member; maintenance of quality patient care;

and institutional management and planning. Without limiting the generality of the foregoing, the Board of Directors shall have power and authority to, and shall be responsible 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. The Board of Directors shall also prepare, for the Member's review and approval, on such timetable as the Member shall establish, proposed annual budgets for the Corporation, which budgets shall be consistent with any operating plan or financial plan adopted or approved by the Member and then in effect.

Section 2. Composition of the Board; Appointment Qualifications. The Board of Directors shall be composed of not fewer than five nor more than twenty voting members, exclusive of non-voting *ex officio* Directors. The exact number of voting Directors shall be as fixed from time to time by the Member, except that as of the date of adoption of these bylaws, the Board of Directors of the Corporation shall be comprised of the members identified on Exhibit A hereto, each having the term identified for such individual by the Member (and any individuals serving as Directors immediately before the effectiveness of these bylaws who are not identified on Exhibit A shall be deemed removed immediately upon such effectiveness). Directors shall generally be appointed at the annual meeting of the Member, but may be appointed at any regular or special meeting of the Member; provided that, at least thirty percent of the Board shall be composed of physicians on the Medical Staff, and provided, further, that except for the *ex officio* Directors specified in Section 4 of this Article IV, the Board of Directors shall not include any full time employees of the Member, of the Corporation or of any of the other "Constituent Corporations" as defined in the Bylaws of the Member. Each Director of the Corporation shall be a natural person of at least eighteen years of age, of good moral character and who enjoys a good reputation in the community, and who, by his or her experience, community interest, or prior action, demonstrates a willingness to devote time and talent to the affairs of the Corporation and to exercise his or her judgment with undivided loyalty to the Corporation. Each Director shall further satisfy the requirements set forth in Section 9 of this Article IV.

Section 3. Term of Office. Subject to Section 5 of this Article IV, Directors, other than *ex officio* Directors, shall serve for one, two or three year terms, as specified by the Member. In the event that the Member elects to classify the Board of Directors for purposes of staggering their respective terms of office, then the number of Directors assigned to each class shall be as nearly equal as possible to those assigned to each other class. Each Director shall retain his or her position as Director until his or her successor shall be duly appointed and qualified or until his or her earlier death, resignation or removal, except that an *ex officio* Director shall retain his or her position as Director only during his or her tenure in the position from which his or her respective *ex officio* status is derived, or until his or her earlier death, resignation, or removal. Directors may be re-elected for unlimited successor terms.

Section 4. Ex Officio Directors.

A. The following persons shall serve as *ex officio* Directors of the Corporation with vote:

- (1) President and Chief Executive Officer of the Member;
- (2) President and Chief Executive Officer of the Corporation; and
- (3) President of the Medical Staff of the Corporation.

In the event that any individual holds multiple *ex officio* positions s/he shall have one vote.

B. The following person(s) shall serve as *ex officio* director of the Corporation without vote:

The president of each Auxiliary of the Corporation.

Section 5. Removal, Resignation, Vacancies.

A. The Member may, in its discretion, remove any Director at any time, with or without cause, upon 10 days prior notice to the Board of Directors. Without limiting the generality of the foregoing, upon such notice the Member may, in its discretion, remove and replace all or a portion of the Board of Directors if the Member determines that the Corporation has failed to comply with any operating or financial plan adopted or approved by the Member. Unless such removal notice is revoked by the Member during the 10 day notice period, any such removal shall be effective immediately upon expiration of the notice period.

B. Any Director may resign from office with or without cause, by delivering a written statement of resignation to the Secretary of the Corporation. Any such resignation shall take effect immediately upon its receipt by the Secretary of the Corporation, unless a later effective time or date for the resignation is specified in the notice of resignation.

C. Any person appointed to fill a vacancy on the Board of Directors shall be appointed for the unexpired term of the Director whose death, resignation, or removal gave rise to the applicable vacancy.

Section 6. Orientation of Directors. Newly elected or appointed Directors shall be oriented to the functions and procedures of the Board of Directors. Such orientation shall be carried out under the supervision of the President and Chief Executive Officer.

Section 7. No Compensation. No Director shall receive any compensation for acting as a Director. Directors who are officers or employees of the Corporation may receive compensation for those duties.

Section 8. Review of Bylaws. The Board of Directors shall review these Bylaws of the Corporation annually, and based on such review, may propose amendments to these Bylaws to the Member of the Corporation.

Section 9. Conflict of Interest. Directors shall exercise good faith in all transactions touching upon their duties at the Corporation and its property. No director shall use his or her position, or knowledge gained therefrom, in any way that might give rise to a conflict between the interest of the Corporation and that of the individual Director. The Board of Directors shall adopt a conflict of interest policy, and each Director and officer of the Corporation shall agree in writing to be bound thereby as a prerequisite to his or her qualification as a Director or officer, as the case may be.

ARTICLE V

MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Regular and Annual Meetings of the Board of Directors. The Board of Directors shall hold regular meetings at such time and place as determined by the Board or the Chair; provided that the Board shall meet not less than four times per year. The Annual Meeting shall be held as provided in Article III, Section 4 of these Bylaws. Notice of any meeting shall be mailed, personally delivered or faxed to each Director entitled to vote at least 5 days prior to the meeting to the Director's address (or fax number) on the books of the Corporation. Voting by proxy shall not be permitted at any meeting.

Section 2. Special Meetings. Special meetings may be held at any time upon call of the Member or the Chair or upon receipt by the President and Chief Executive Officer of the written request of at least three Directors.

Section 3. Public Meeting. The general public shall be invited to attend at least one meeting of the Board of Directors on an annual basis. Such meeting shall be well-publicized in advance of the meeting date and shall be held at a time convenient for attendance by the general public.

Section 4. Quorum. A majority of the entire Board of Directors (without counting non-voting *ex officio* Directors) shall constitute a quorum at any regular meeting; provided that a quorum shall not be present at any meeting unless a majority of those Directors present are not members of the medical staff of the Corporation. Once a quorum is established, subsequent withdrawal of individuals to less than a quorum shall not affect the validity of any subsequent action taken at the meeting. Except as otherwise required by the PNCL, approval of any matter before the Board of Directors by a majority of the Directors entitled to vote and present at a meeting shall constitute approval of the applicable matter by the Board.

Section 5. Action Without a Meeting. Any action which may be taken at a meeting of the Board or any committee thereof may be taken without a meeting if consent in writing

setting forth such action is signed by all of the Directors entitled to vote or members of the committee, and is filed in the minutes of the proceedings of the Board or of the committee.

Section 6. Rules of Conduct. Meetings of the Board of Directors and Committees of the Board of Directors will be conducted in accordance with such rules as may be established by the Board of Directors.

Section 7. Participation by Conference Telephone. One or more Directors or members of a Committee established pursuant hereto may participate in a meeting of the Board of Directors or such Committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

Section 8. Waiver of Notice. Whenever any written notice is required to be given under the provisions of the these bylaws or the PNCL, such notice need not be given to any Director who submits a signed waiver of notice whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such Director.

ARTICLE VI

OFFICERS

Section 1. Officers Generally. The officers shall be a Chair, a Vice-Chair, a Secretary, a Treasurer, a President and Chief Executive Officer, and such Vice Presidents and other subordinate officers as the Member shall designate. The Chair, Vice Chair, Secretary, and Treasurer shall be appointed from among the elected (*i.e.*, *non-ex officio*) members of the Board of Directors. All other officers need not, but may, be selected from among such elected members of the Board of Directors. No full-time employee of the Member or of the Corporation shall be eligible to serve as Chair or Vice Chair of the Corporation.

Section 2. Appointment of Officers. The officers shall be appointed by the Member, after consultation with the Board of Directors of the Corporation, at the Annual Meeting of the Member each year and shall hold office for terms of one year and until their successors are duly installed, subject in each case to an officer's earlier death, resignation or removal. Vacancies in any office may be filled by action of the Member after consultation with the Board of Directors of the Corporation. So long as the Member is the sole Member of the Corporation, no full-time employee of the Member or of the Corporation shall be eligible to serve as Chair or Vice Chair of the Corporation. Further, the Chair shall be appointed from among individuals who also serve on the Member's Board of Directors. Nothing contained herein shall be construed as prejudicing any officer's rights with respect to compensation under any employment agreement with the Corporation.

Section 3. Chair. The Chair shall preside at all meetings of the Board of Directors, and at the Annual Meeting of the Member each year shall present the report of the Board of Directors. The Chair shall be responsible to review the performance of the Board of Directors on an annual basis, and to report on such performance to the Member. The Chair shall have such authority, and shall perform all duties, ordinarily required of an officer in like position, and such other authority and duties as may be assigned by the Member.

Section 4. President and Chief Executive Officer. The President and Chief Executive Officer of the Corporation shall be an *ex officio* member of the Board. The President and Chief Executive Officer shall have all authority and responsibility necessary to operate the Corporation in all its activities, subject, however, to the policies and directives of the Member and of the Board of Directors with regard to the matters as to which the Board of Directors is responsible, and to the provisions of the Corporation's Articles of Incorporation and Bylaws. The President and Chief Executive Officer shall have responsibility for implementing compliance with state licensing regulations and Joint Commission on Accreditation of Health Care Organizations accreditation requirements including regulations and requirements relative to quality of care and quality assessment and improvement mechanisms. The President and Chief Executive Officer shall serve as the liaison between the Board of Directors and the Medical Staff and assist the Medical Staff with its organization and medical-administrative responsibilities.

Section 5. Vice Chair. The Vice-Chair shall perform the duties of the Chair when for any reason the Chair is unable to perform the same.

Section 6. Secretary. The Secretary shall keep and properly record the minutes of the proceedings of the Board of Directors, notify officers of their election and committee members of their appointment, give notice of all meetings of the Board of Directors and the Executive Committee, have custody of the corporate seal and of all books and papers pertaining to the office, and generally shall have such authority, and shall perform all duties, ordinarily required of an officer in like position.

Section 7. Treasurer. The Treasurer shall receive and have custody of all funds, money, and income of the Corporation not otherwise specifically provided for by the Member and shall deposit the same in such depository or depositories as the Board shall designate. The Treasurer shall have such authority, and shall perform all duties, ordinarily required of an officer in like position, and such other authority and duties as may be assigned by the Member.

Section 8. Resignation. Any officer may resign at any time by giving written notice thereof to the Chair, the President and Chief Executive Officer or the Secretary of the Corporation. Any such resignation shall take effect on the date of receipt of such notice by one of the above-specified officers, or at such later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 9. Removal. Any officer of the Corporation may be removed, with or without cause, by the Member whenever in the judgment of the Member the best interests of the

Corporation will be served thereby. Nothing contained herein shall be construed as prejudicing any officer's rights with respect to compensation under any employment agreement with the Corporation.

ARTICLE VII

COMMITTEES OF THE BOARD OF DIRECTORS

Section 1. Committees Generally. The Directors, upon direction of the Member, shall establish the following committees, and, upon the approval of the Member, may establish such other committees (standing or special) as the Board of Directors shall determine to establish, with such authority and composition as the Board of Directors shall determine (subject only to the rights and powers of the Members as set forth in the PNCL, the Articles of Incorporation, and these Bylaws, and the limitations or delegation of the Board's authority pursuant to the PNCL):

- A. Executive Committee
- B. Finance Committee
- C. Strategic Planning and Capital Development Committee
- D. Audit Committee
- E. Quality Assurance/Risk Management Committee
- F. Medical Affairs Committee

Section 2. Powers of the Executive Committee. From and after its establishment, the Executive Committee shall have and may exercise the powers of the Board of Directors in the management of the business affairs of the Corporation, except that the Executive Committee shall not have authority with respect to any of the following matters:

- A. The submission to the Member of any action requiring approval of the Member;
- B. Amending or repealing any resolution of the Board of Directors; or
- C. Approving any matters which pursuant to the Bylaws or resolution of the Board of Directors is reserved to another established committee of the Board.

Section 3. Finance Committee. From and after its establishment, this Committee shall review and recommend to the Board of Directors the annual budget to be proposed to the Member, establish and review periodic budgetary reports and meet with the Corporation's independent auditors following receipt of the annual audit. This Committee shall also review and recommend the financial plan of the Corporation. This Committee shall meet at least quarterly to review the budget and financial performance of the Corporation and its affiliates, and to review and recommend approval or disapproval of any proposed unbudgeted expenditures by the

Corporation where the cumulative amount of such unbudgeted expenditures is in excess of the amount fixed from time to time by the Member.

Section 4. Strategic Planning and Capital Development Committee. From and after its establishment, this Committee shall propose long range plans for the Corporation for the consideration of the Member, with the goal of constantly improving services, facilities and programs. These plans shall be periodically reviewed and revised by the Committee, and shall be subject to approval by the Member.

Section 5. Audit Committee. From and after its establishment, this Committee shall cause to be audited the accounts of the Treasurer and of the Corporation at the close of each year prior to the annual meeting of the Corporation, shall render a full report to the Member at its annual meeting, and shall have such other responsibilities and authority as designated by the Board in a resolution.

Section 6. Quality Assurance and Risk Management Committee. From and after its establishment, this Committee shall conduct itself as a forum for the discussion, analysis, review and oversight of hospital policy and procedure concerning quality assurance activities and standards as outlined in the Corporation's quality assurance program; shall be responsible for evaluating and monitoring the Corporation's quality assurance program; and shall make recommendations to the Board of Directors pursuant to its findings.

Section 7. Medical Affairs Committee. From and after its establishment, this Committee shall evaluate the types and scopes of clinical programs and services provided by the Corporation and make recommendations to the Board of Directors regarding the same; shall provide medico-administrative liaison with the Board of Directors, Medical Board and the President and Chief Executive Officer; shall monitor the activities of the Corporation in the areas of medical education and research; and to the extent requested by the Board, shall assist the Board with the resolution of disputes concerning medical affairs, including, without limitation, interdisciplinary disputes and credentialing disputes.

Section 8. Appointment of Committees. The members of any standing or special Committee shall be appointed by the Board. Each Committee shall include at least three Directors, including *ex officio* members. The Chair and the President and Chief Executive Officer shall be *ex officio* members of all committees with full voting privileges. Each other member of a committee shall serve for a term of one year and until his or her successor has been appointed, subject to his or her earlier death, resignation or removal.

Section 9. Medical Staff Participation. Each Committee shall include at least two members of the Medical Staff.

Section 10. Meetings of Committees. All standing Committees shall function under the direction of the Board of Directors and shall meet as often as necessary to transact their business and shall make such reports as they may deem necessary or which may be specifically required

of them. Minutes shall be kept of each meeting of each Committee and such minutes shall be disseminated to all members of the Board of Directors, and to the Member.

Section 11. Quorum; Act of Committee. A majority of the members of a Committee shall constitute a quorum for the transaction of business. Once a quorum has been established, subsequent withdrawal of committee members so as to reduce the number of members present to less than a quorum shall not affect the validity of any subsequent action taken at the meeting. Approval of any matter before any Committee by a majority of those present at a meeting of a Committee where a quorum is present shall constitute approval of the applicable matter by the applicable Committee.

Section 12. Resignation. Any Committee member may resign at any time by giving written notice thereof to the Chair, the President and Chief Executive Officer or the Secretary of the Corporation. Any such resignation shall take effect on the date of receipt of such notice by one of the above-specified officers, or at such later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 13. Removal. Any Committee member may be removed, with or without cause, by the Board or the Member whenever in the judgment of the Board or the Member the best interests of the Corporation will be served thereby, provided that if any Committee member is removed by the Member, at least 10 days advance notice of such removal shall be given by the Member to the Board of Directors.

ARTICLE VIII

THE MEDICAL STAFF

Section 1. Medical Staff Generally. The Board of Directors shall create a functional unit within the Corporation known as the Medical Staff. It shall be composed of physicians, dentists, and such other health care practitioners as determined by the Board. The Medical Staff shall be delegated the responsibility for making recommendations concerning the clinical privileges and Medical Staff appointment of practitioners, the quality of medical care delivered in the hospital operated by the Corporation (the "Hospital"), and rules and regulations governing the practice of practitioners within the Hospital. The Medical Staff shall be an internal component of the Hospital. It 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 retains the right to rescind any authority or procedures delegated to the Medical Staff by bylaws or otherwise and to amend the bylaws as necessary for the good operation of the 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 Medical Staff.

Section 2. Organization of Medical Staff. The Medical Staff shall be divided into clinical departments. The appointment of clinical department chairs, and of all Medical Staff standing committee chairs shall be approved by the Board of Directors.

Section 3. Appointment to Medical Staff. All appointments to the 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 Hospital policy and/or the 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.

Section 4. Denial of Privileges. In the circumstances delineated in the 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 Corporation's hospital policy or the Medical Staff bylaws. No recommendation or action other than as set forth in the Medical Staff bylaws shall constitute grounds for a hearing.

ARTICLE IX

PATIENT'S BILL OF RIGHTS

Section 1. Patient's Bill of Rights. The individual designated by the President and Chief Executive Officer as "Patient Representative" or other responsible management individual as may be charged by the President and Chief Executive Officer from time to time shall be responsible to ensure that a Patient's Bill of Rights not less in substance and coverage than required by the Pennsylvania Department of Health regulations shall be disseminated to all patients of the Hospital.

ARTICLE X

FISCAL YEAR AND ANNUAL REPORT

Section 1. Fiscal Year. The Fiscal Year of the Corporation shall be begin on the first day of July of each year and end on the last day of June of the succeeding year.

Section 2. Annual Report. As soon as may be convenient following the close of the Fiscal Year, the Board of Directors may cause to be published for general distribution an Annual Report containing such information regarding the work and affairs of the Hospital for the preceding Fiscal Year as in their discretion may be deemed advisable.

ARTICLE XI

AUXILIARY ORGANIZATIONS

Section 1. Auxiliary Organizations. The Board of Directors may provide for the establishment or permit the operation of one or more auxiliary organizations. The bylaws of these organizations shall be subject to approval by the Board of Directors and the Member.

ARTICLE XII

SEAL

Section 1. Seal. The seal of the Corporation shall be in such form as may be approved by the Board of Directors.

ARTICLE XIII

LIABILITY OF DIRECTORS

Section 1. Standard of Care and Fiduciary Duty. Each Director 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 upon which the Director may serve, in good faith, in a manner the Director 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, each 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; and
- (c) a committee of the Board of this Corporation upon which the Director does not serve, 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 the Director has knowledge concerning the matter in question that would cause his reliance to be unwarranted.

Section 2. Limitation on Liability. Neither the Member nor any Director of the Corporation shall be personally liable for monetary damages for any action taken, or any failure to take any action, provided however, that this provision shall not eliminate or limit the liability of the Member or any Director to the extent that such elimination or limitation of liability is expressly prohibited by, Section 5713 of the PNCL, as in effect at the time of the alleged action or failure to take action by such Member or Director.

Section 3. Preservation of Rights. Any repeal or modification of this Article shall not adversely affect any right or protection existing at the time of such repeal or modification to which any Member, Director or former Member or Director may be entitled under this Article. The rights conferred by this Article shall continue as to any person who has ceased to be the Member or a Director of the Corporation and shall inure to the benefit of the successors, heirs, executors, and administrators of such person.

ARTICLE XIV

INDEMNIFICATION

Section 1. Mandatory Indemnification of Directors and Officers. The Corporation shall indemnify, to the fullest extent now or hereafter permitted by law, each Director and officer (including each former Director or officer) of the Corporation who was or is or is threatened to be made a party to or a witness in any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that the Director or officer is or was an authorized representative of the Corporation, or is or was serving at the written request of the Corporation as a representative of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust or other enterprise, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the Director or officer in connection with such action, suit or proceeding if such Director or officer acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interest of the Corporation and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Section 2. Mandatory Advancement of Expenses to Directors and Officers. The Corporation shall pay expenses (including attorneys' fees) incurred by a Director or officer of the Corporation referred to in Section 1 of this Article XIV in defending or appearing as a witness in any civil or criminal action, suit or proceeding described in Section 1 of this Article XIV in advance of the final disposition of such action, suit or proceeding. The expenses incurred by such Director or officer shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding only upon receipt of an undertaking by or on behalf of such Director or officer to repay all amounts advanced if it shall ultimately be determined that the Director or officer is not entitled to be indemnified by the Corporation as provided in Section 4 of this Article XIV.

Section 3. Permissive Indemnification and Advancement of Expenses. The Corporation may, as determined by the Board of Directors from time to time, indemnify, in full or in part, to the fullest extent now or hereafter permitted by law, any person who was or is or is threatened to be made a party to or a witness in, or is otherwise involved in, any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was an authorized representative of the Corporation or is or was serving at the request of the Corporation as a representative of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust or other enterprise, both as to action in his official capacity and as to action in another capacity while holding such office or position, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in conjunction with such action, suit or proceeding if such person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interest of the Corporation and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The Corporation may, as determined by the Board of Directors from time to time, pay expenses incurred by any such person by reason of such person's participation in an action, suit or proceeding referred to in this Section 3 in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as provided in Section 4 of this Article XIV.

Section 4. Scope of Indemnification. Indemnification under this article shall not be made by the Corporation in any case where a court determines that the alleged act or failure to act giving rise to the claim for indemnification is expressly prohibited by Chapter 57, Subchapter D of the PNCL or any successor statute as in effect at the time of such alleged action or failure to take action.

Section 5. Miscellaneous. Each Director and officer of the Corporation shall be deemed to act in such capacity in reliance upon such rights of indemnification and advancement of expenses as are provided in this Article. The rights of indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which any person seeking indemnification or advancement of expenses may be entitled under any agreement, vote of members (if any), disinterested Directors, statute or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office or position, and shall continue as to a person who has ceased to be an authorized representative of the Corporation and shall inure to the benefit of the heirs, executors and administrators of such person. Any repeal or modification of this Article by the members (if any) or the Board of Directors of the Corporation shall not adversely affect any right or protection existing at the time of such appeal or modification to which any person may be entitled under this Article.

Section 6. Definition of Authorized Representative. For the purposes of this Article, the term, "authorized representative" shall mean a director, officer (including a former director or officer), or employee of the Corporation or of any corporation controlled by the Corporation, or a trustee, custodian, administrator, committeeman or fiduciary of any employee benefit plan

established and maintained by the Corporation or by any corporation controlled by the Corporation, or person serving another corporation, partnership, joint venture, trust or other enterprise in any of the foregoing capacities at the written request of the Corporation. The term "authorized representative" shall not include money managers or investment advisors (or any employees thereof) hired by the Corporation, and shall not include (i) agents of the Corporation unless indemnification thereof is expressly approved by the Board of Directors, or (ii) any Medical Staff appointee serving in his or her teaching or clinical capacity.

Section 7. Funding to Meet Indemnification Obligations. Subject to the approval of the Member, the Board of Directors shall have the power to borrow money on behalf of the Corporation, including the power to pledge the assets of the Corporation, from time to time to discharge the Corporation's obligations with respect to indemnification, the advancement and reimbursement of expenses, and the purchase and maintenance of insurance for the benefit of the Corporation and any person indemnified pursuant hereto. Upon the approval of the Member, the Corporation may, in lieu of or in addition to the purchase and maintenance of insurance, establish and maintain a fund of any nature or otherwise secure or insure in any manner its indemnification obligations, whether arising pursuant to this Article or otherwise.

ARTICLE XV

AMENDMENTS OF THESE BYLAWS AND/OR THE ARTICLES OF INCORPORATION OF THE CORPORATION

The power to amend, modify, alter or repeal these Bylaws or the Articles of Incorporation, is hereby exclusively vested in the Member of the Corporation subject, however, to Section 9 of Article III, and with respect to amendments of the following provisions in the bylaws and Articles of Incorporation of the Corporation, subject to prior notice to the Attorney General and the prior approval of the Orphans' Court: (i) provisions setting forth the purposes of the Corporation; (ii) provisions setting forth the powers reserved exclusively to the Member; (iii) provisions describing the manner in which the assets of the Corporation are to be distributed upon termination, dissolution or winding up of the Corporation; and (iv) provisions requiring notice to the Attorney General or approval of the Orphans' Court prior to the taking of certain action by the Corporation.

ARTICLE XVI

SUBVENTIONS

The Corporation shall be authorized by resolution of the Board of Directors or the Member to accept subventions from the Member or nonmembers on terms and conditions not inconsistent with PNCL § 5542, and to issue certificates therefor. The resolution of the Board of Directors or the Member may provide that the holders of subvention certificates shall be entitled to a fixed or contingent periodic payment out of the corporate assets equal to a

percentage of the original amount or value of the subvention. The rights of holders of subvention certificates shall at all times be subordinate to the rights of creditors of the Corporation.

* * * *

Ex 7

ALLEGHENY MEDICAL PRACTICE NETWORK

CONFLICTS OF INTEREST POLICY

Article I

Purpose

The purpose of this conflicts of interest policy is to protect the interest of Allegheny Medical Practice Network (the "Corporation") when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a director or officer of the Corporation. This policy is intended to supplement but not replace any Pennsylvania laws and regulations governing conflicts of interest applicable to charitable not-for-profit corporations.

Article II

Definitions

1. Interested Person

Any director, principal officer, or member of a committee with board delegated powers who has a direct or indirect financial interest, as defined below, is an "interested person." 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 system.

2. Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment or family:

- a. an ownership or investment interest in any entity with which the Corporation has a transaction or arrangement; or
- b. a compensation arrangement with the Corporation or any entity or individual with which the Corporation has a transaction or arrangement; or
- 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.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate board or committee decides that a conflict of interest exists.

Article III

Procedures

1. Duty to Disclose

In connection with any actual or possible conflicts of interest, an interested person must disclose the existence of his or her financial interest and must be given the opportunity to disclose all material facts to the directors and members of the committees with board delegated powers considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest

a. An interested person may make a presentation at the board or committee meeting, but after such presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that results in the conflict of interest.

b. The chairperson of the board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

c. After exercising due diligence, the board or committee shall determine whether the Corporation can 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.

d. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Corporation's best interest and for its own benefit and whether the transaction is fair and reasonable to the Corporation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

4. **Violations of the Conflicts of Interest Policy**

a. If the board or committee has reasonable cause to believe that a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

b. If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the board or committee determines that the member has in fact failed to disclose an actual or potential conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV

Records of Proceedings

The minutes of the board and all committees with board-delegated powers shall contain:

1. the names of the 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's or committee's decision as to whether a conflict of interest in fact existed.
2. 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.

Article V

Compensation

1. A voting member of the board of directors who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.
2. A physician who is a voting member of the board of directors and receives compensation, directly or indirectly, from the Corporation for services is precluded from discussing and voting on matters pertaining to that member's and other physicians' compensation. No physician or physician director, either individually or collectively, is prohibited from providing information to the board of directors regarding physician compensation.

3. A voting member of 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.

4. Physicians who receive compensation, directly or indirectly, from the Corporation, whether 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.

Article VI

Annual Statements

Each director, principal, officer and member of a committee with board delegated powers shall annually sign a statement which affirms that such person:

- a. has received a copy of this 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 under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), the Corporation must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII

Periodic Reviews

To ensure that the Corporation operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from Federal income taxation under Code Section 501(c)(3), the Corporation shall conduct periodic reviews. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable and are the result of arm's-length bargaining.
- b. Whether acquisitions of physician practices and other provider services result in inurement or impermissible private benefit.
- c. Whether partnership and joint venture arrangements, and arrangements with

management service organizations and physician-hospital organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the Corporation's charitable purposes and do not result in inurement or impermissible private benefit.

- d. Whether agreements to provide health care and agreements with other health care providers, employees, and third party payors further the Corporation's charitable purposes and do not result in inurement or impermissible private benefit.

Article VIII

Use of Outside Experts

In conducting the periodic reviews provided for in Article VII, the Corporation may, but need not, use outside advisors. If outside experts are used their use shall not relieve the board of its responsibility for ensuring that periodic reviews are conducted.

* * *

This Conflict of Interest Policy was adopted by the Corporation's board of directors by Unanimous Written Consent dated as of November 12, 1999.

Ex 8

Allegheny Medical Practice Network
EIN: 25-1838457

Attachment #8
Part II, Question 4: Directors and Officers

Directors

<u>Name</u>	<u>Address</u>
Concetta Cibrone	President and Chief Executive Officer Allegheny General Hospital 320 East North Avenue Pittsburgh, PA 15212
Andrew Thurman	Deputy General Counsel Allegheny General Hospital 320 East North Avenue Pittsburgh, PA 15212
Barry Roth	President and Chief Executive Officer Forbes Health Center 2570 Haymaker Road Monroeville, PA 15206

All directors serve without compensation.

Officers

<u>Name and Title</u>	<u>Address</u>
Concetta Cibrone President	Address above.
Andrew Thurman Secretary	Address above.

All officers serve without compensation.

Ex 9

Allegheny Medical Practice Network
EIN: 25-1838457

Attachment #9

Part II, Question 5: Control by Other Organizations

As discussed above in Attachment #3, the Applicant's sole member currently is HAWP and will be WPAHS at the closing of the bond offering for WPAHS. HAWP currently has, and WPAHS will have, extensive control over the Applicant's activities. Pursuant to Article III, Section 2(A) of the Applicant's By-Laws, its sole member has the following authority with respect to the Applicant:

- adopt and/or approve and interpret its statement of mission and philosophy, and require the Applicant to operate in conformance with its statement of mission and philosophy;
- adopt and/or approve amendments or restatements of its By-Laws and Articles of Incorporation (to the extent provided in, and subject to certain limitations set forth in, the By-Laws);
- fix the number of, and elect, appoint, fill vacancies in and remove, with or without cause, the Applicant's directors; and elect and remove, with or without cause, its Chair, Vice Chair, Secretary and Treasurer (subject to certain limitations set forth in the Applicant's By-Laws);
- designate the Applicant's administrative structure and, after consultation with its Board of Directors, elect and remove, with or without cause, its President and Chief Executive Officer and all other officers (subject to certain limitations set forth in the Applicant's By-Laws);
- cause or approve any merger, consolidation, division, conversion, or dissolution of the Applicant, or the filing of a petition in bankruptcy or execution of a deed of assignment for the benefit of creditors by the Applicant;
- approve or cause the Applicant to engage in any acquisition or any sale, lease, exchange, mortgage, pledge or other alienation of any personal property having a value in excess of an amount to be fixed from time to time by the sole member's Board of Directors, or any real property;
- adopt and/or approve any of the Applicant's capital or operating budgets, and approve or direct any unbudgeted expenditure to be undertaken individually or collectively by the

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Applicant (other than unbudgeted expenditures which are required in order for the Applicant to be in compliance with applicable laws, rules and regulations, and state licensing and accreditation requirements), where the cumulative amount of such unbudgeted expenditures is in excess of an amount to be fixed from time to time by the sole member's Board of Directors;

- adopt and/or approve any operating plan or financial plan with respect to the Applicant, and require the Applicant to comply with such operating or financial plan;
- approve, and/or cause the Applicant to undertake or engage itself in respect of, any bond issuance or any other indebtedness for borrowed money, or any lending of funds to an unrelated person, corporation or other legal entity, representing obligations of the Applicant in excess of an amount per annum in the aggregate established from time to time by the sole member's Board;
- approve and/or direct the allocation and transfer of the Applicant's respective excess cash (as determined by the sole member's Board of Directors) among members of the sole member's system;
- establish and/or approve the criteria for, and conduct the evaluation of, the performance of the Applicant's President and Chief Executive Officer and all vice presidents and officers of similar rank;
- approve and/or cause the adoption of proposed settlements of litigation when such settlements exceed applicable insurance coverage or the amounts reserved in respect thereof of any applicable self-insurance fund;
- approve and/or cause the adoption of any contracts between the Applicant and any managed care organization (including without limitation any health maintenance organization or independent practice association) or insurance company;
- approve and/or cause any corporate reorganization or the establishment or dissolution of any subsidiary organizations of the Applicant, including corporations, partnerships or other entities; and

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- approve or direct the taking of any other action outside of the Applicant's ordinary course of business and such matters as are required to be submitted to corporate members of a Pennsylvania non-profit corporation.

Also as discussed above, pursuant to the Settlement Agreement, the Applicant is succeeding to many assets of AUMP, employer identification number 25-1752032, and AUHS, employer identification number 23-1352693.

Ex 10

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EIN: 25-1838457

Attachment #10

Part II, Question 7: Accountability to Other Organizations

As discussed above, the Applicant's current sole member, HAWP, and WPAHS as HAWP's successor has/will have certain powers of financial oversight over the Applicant's activities. These powers are specified in the Applicant's By-Laws and discussed in detail in Attachment #3, and include the right to approve budgets, certain borrowing and certain unbudgeted transactions.

Ex 11

Allegheny Medical Practice Network
EIN: 25-1838457

Attachment #11
Part II, Question 8: Assets Used

As discussed above, the Applicant will provide community-based medical care services to the western Pennsylvania community through its operation of numerous primary care and specialty medical practice locations. The Applicant currently owns no assets, but is expected shortly to receive an assignment of a portion of the AUMP and AUHS assets described above in Attachment #3, following the decision by HAWP as to which of the AUMP and AUHS assets should be transferred to the Applicant and which of such assets should be transferred to ASPN.

Ex 12

Allegheny Medical Practice Network
EIN: 25-1838457

Attachment #12
Part II, Question 10(a): Management Services

As discussed above, the Applicant will receive fiscal management, strategic planning, external affairs/community relations, legal affairs, risk management, group purchasing, management information services, fund raising and personnel recruitment and development services from HAWP.

The Applicant currently is not a party to any leases, but is expected shortly to receive an assignment of a portion of the AUMP and AUHS leases described above in Attachment #3 and identified in detail in the schedules to the Settlement Agreement, following the decision by HAWP as to which of the AUMP and AUHS assets should be transferred to the Applicant and which of such assets should be transferred to ASPN. Any subsequent leases resulting from future physician practice acquisitions will be negotiated by the Applicant at arm's length and will provide for fair market value rental rates.

Ex 13

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EIN: 25-1838457

Attachment #13
Part II, Question 11: Membership Corporation

The Applicant is a "membership corporation" as defined by Pennsylvania Nonprofit Corporation Law. To that effect, the membership structure of the Applicant is analogous to the parent/subsidiary model of a proprietary corporate structure. The sole member (the parent) of the Applicant (the subsidiary), as described previously, currently is HAWP and will become WPAHS at the time of the closing of the WPAHS bond offering.

As sole Member of the Applicant, HAWP has, and WPAHS will have, certain reserved powers described in the Applicant's Articles of Incorporation and By-Laws, as described above, as well as certain reserved powers inherently possessed by members of non-profit corporations under the Pennsylvania Nonprofit Corporation Law of 1988, as amended. Those inherent powers include the right to appoint and remove directors, to adopt and approve amendments to the Articles of Incorporation and By-Laws of the Applicant, and to approve certain basic transactions in which the Applicant may engage.

WPAHS-002448

Ex 14

**Allegheny Medical Practice Network
EIN: 25-1838457**

Attachment #14

Part II, Question 12a: Benefits, Services or Products

Most of the services to be provided by the Applicant will be billed to third party payors, including Medicare and Medicaid. Rates for third party payors will vary per depending on the arrangement negotiated with such payors, but generally will be rates that are customary within the greater Pittsburgh market.

Ex 15

Allegheny Medical Practice Network
EIN: 25-1838457

Attachment #15
Part IV, Line 4: Unrelated Trade or Business Income

	7/1/1999- 6/30/2000	7/1/2000- 6/30/2001	7/1/2001- 6/30/2002
Non-Patient Pharmacy Revenues	\$200,000	\$204,000	\$208,080

Ex 16

**Allegheny Medical Practice Network
EIN: 25-1838457**

**Attachment #16
Part IV, Line 7: Other Income**

	7/1/1999- 6/30/2000	7/1/2000- 6/30/2001	7/1/2001- 6/30/2002
Ancillary Revenue	\$164,000	\$168,920	\$173,988
Sublease Rental	389,000	396,780	404,716
Miscellaneous	<u>164,000</u>	<u>167,280</u>	<u>170,626</u>
Total	<u>\$717,000</u>	<u>\$732,980</u>	<u>\$749,329</u>

Ex 17

Allegheny Medical Practice Network
EIN: 25-1838457

Attachment #17
Part IV, Line 22: Other Expenses

	7/1/1999- 6/30/2000	7/1/2000- 6/30/2001	7/1/2001- 6/30/2002
Practice Operation Expenses	\$ 9,341,261	\$ 9,528,086	\$ 9,718,648
Corporate Services	3,956,000	3,758,200	3,683,036
Property Expenses, Utilities	1,160,739	1,044,665	1,023,772
Bad Debts	712,000	733,360	748,027
Miscellaneous	<u>1,583,000</u>	<u>1,614,660</u>	<u>1,646,953</u>
Total	<u>\$16,753,000</u>	<u>\$16,678,971</u>	<u>\$16,820,436</u>

Σx 18

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Attachment #18
Schedule C

The Applicant is not a "hospital" within the traditional meaning of that term, as contemplated by the questions on Schedule C. Nevertheless, the Applicant satisfies the definition of "hospital" within the meaning of Section 170(b)(1)(A)(iii) and Treasury Regulation § 1.170A-9(c)(1), as described more fully in Attachment #3.

Based on the foregoing:

Question 1(a) is not applicable to the Applicant.

The answer to Question 1(b) is no, because only employed physicians will render services for the Applicant.

Questions 2(a), 2(b) and 2(c) are not applicable to the Applicant. The Applicant's physicians will provide emergency medical services to individuals, both on an outpatient and inpatient basis, at hospitals within the HAWP System and WPAHS System. Emergency room services are available at those hospitals, and such care is provided without regard to a patient's ability to pay.

The answer to Question 3(a) is no. Question 3(b) is not applicable.

Question 4 is not applicable to the Applicant. The Applicant's physicians will participate in the charity care rendered by the hospitals that are part of the HAWP System and the WPAHS System.

The answer to Question 5 is no.

The answer to Question 6 is no.

Power of Attorney and Declaration of Representative

OMB No. 1545-0150
 For IRS Use Only
 Received by:
 Name _____
 Telephone _____
 Function _____
 Date / /

▶ See the separate instructions.

Part I Power of Attorney (Please type or print.)

1 Taxpayer information (Taxpayer(s) must sign and date this form on page 2, line 9.)

Taxpayer name(s) and address Allegheny Medical Practice Network c/o Allegheny General Hospital 320 East North Avenue Pittsburgh, PA 15212	Social security number(s) _____ _____ _____	Employer identification number 25-1838457 Plan number (if applicable)
		Daytime telephone number (212) 359-4918

hereby appoint(s) the following representative(s) as attorney(s)-in-fact:

2 Representative(s) (Representative(s) must sign and date this form on page 2, Part II.)

Name and address Michael A. Lehmann 1675 Broadway, 27th Floor New York, NY 10019	CAF No. 2005-52889R Telephone No. (212) 830-7258 Fax No. (212) 541-9250 Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/>
Name and address Peter F. Olberg 1675 Broadway, 27th Floor New York, NY 10019	CAF No. _____ Telephone No. (212) 830-7217 Fax No. (212) 541-9250 Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/>
Name and address	CAF No. _____ Telephone No. _____ Fax No. _____ Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/>

to represent the taxpayer(s) before the Internal Revenue Service for the following tax matters:

3 Tax matters

Type of Tax (Income, Employment, Excise, etc.)	Tax Form Number (1040, 941, 720, etc.)	Year(s) or Period(s)

4 Specific use not recorded on Centralized Authorization File (CAF). If the power of attorney is for a specific use not recorded on CAF, check this box. (See instruction for Line 4—Specific uses not recorded on CAF.)

5 Acts authorized. The representatives are authorized to receive and inspect confidential tax information and to perform any and all acts that I (we) can perform with respect to the tax matters described on line 3, for example, the authority to sign any agreements, consents, or other documents. The authority does not include the power to receive refund checks (see line 6 below), the power to substitute another representative unless specifically added below, or the power to sign certain returns (see instruction for Line 5—Acts authorized).

List any specific additions or deletions to the acts otherwise authorized in this power of attorney: _____

Note: In general, an unenrolled preparer of tax returns cannot sign any document for a taxpayer. See Revenue Procedure 81-38, printed as Pub. 470, for more information.

Note: The tax matters partner of a partnership is not permitted to authorize representatives to perform certain acts. See the instructions for more information.

6 Receipt of refund checks. If you want to authorize a representative named on line 2 to receive, **BUT NOT TO ENDORSE OR CASH**, refund checks, initial here _____ and list the name of that representative below.

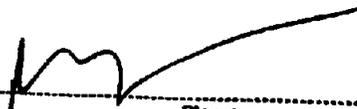
Name of representative to receive refund check(s) ▶ _____

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Page 2

- 7 Notices and communications. Original notices and other written communications will be sent to you and a copy to the first representative listed on line 2 unless you check one or more of the boxes below.
 - a If you want the first representative listed on line 2 to receive the original, and yourself a copy, of such notices or communications, check this box
 - b If you also want the second representative listed to receive a copy of such notices and communications, check this box
 - c If you do not want any notices or communications sent to your representative(s), check this box
- 8 Retention/revocation of prior power(s) of attorney. The filing of this power of attorney automatically revokes all earlier power(s) of attorney on file with the Internal Revenue Service for the same tax matters and years or periods covered by this document. If you do not want to revoke a prior power of attorney, check here.
YOU MUST ATTACH A COPY OF ANY POWER OF ATTORNEY YOU WANT TO REMAIN IN EFFECT.
- 9 Signature of taxpayer(s). If a tax matter concerns a joint return, both husband and wife must sign if joint representation is requested, otherwise, see the instructions. If signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, or trustee on behalf of the taxpayer, I certify that I have the authority to execute this form on behalf of the taxpayer.

▶ IF NOT SIGNED AND DATED, THIS POWER OF ATTORNEY WILL BE RETURNED.

X  _____
 Signature 11/19/99 Secretary
Date Title (if applicable)

Andrew Thurman

Print Name

 Signature Date Title (if applicable)

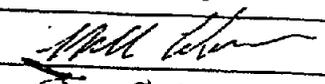
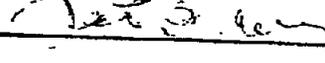
Print Name

Part B Declaration of Representative

Under penalties of perjury, I declare that:

- I am not currently under suspension or disbarment from practice before the Internal Revenue Service;
- I am aware of regulations contained in Treasury Department Circular No. 230 (31 CFR, Part 10), as amended, concerning the practice of attorneys, certified public accountants, enrolled agents, enrolled actuaries, and others;
- I am authorized to represent the taxpayer(s) identified in Part I for the tax matter(s) specified there; and
- I am one of the following:
 - a Attorney—a member in good standing of the bar of the highest court of the jurisdiction shown below.
 - b Certified Public Accountant—duty qualified to practice as a certified public accountant in the jurisdiction shown below.
 - c Enrolled Agent—enrolled as an agent under the requirements of Treasury Department Circular No. 230.
 - d Officer—a bona fide officer of the taxpayer's organization.
 - e Full-Time Employee—a full-time employee of the taxpayer.
 - f Family Member—a member of the taxpayer's immediate family (i.e., spouse, parent, child, brother, or sister).
 - g Enrolled Actuary—enrolled as an actuary by the Joint Board for the Enrollment of Actuaries under 29 U.S.C. 1242 (the authority to practice before the Service is limited by section 10.3(d)(1) of Treasury Department Circular No. 230).
 - h Unenrolled Return Preparer—an unenrolled return preparer under section 10.7(c)(viii) of Treasury Department Circular No. 230.

▶ IF THIS DECLARATION OF REPRESENTATIVE IS NOT SIGNED AND DATED, THE POWER OF ATTORNEY WILL BE RETURNED.

Designation—Insert above letter (a–h)	Jurisdiction (state) or Enrollment Card No.	Signature	Date
a	NY		11/19/99
a	NY		11/19/99

Form **8718**
(Rev. January 1998)

Department of the Treasury
Internal Revenue Service

User Fee for Exempt Organization Determination Letter Request

▶ Attach this form to determination letter application.
(Form 8718 is NOT a determination letter application.)

For IRS Use Only

Control number _____
Amount paid _____
User fee screener _____

1 Name of organization
Allegheny Medical Practice Network

2 Employer Identification Number
25 1838457

Caution: Do not attach Form 8718 to an application for a pension plan determination letter. Use Form 8717 instead.

3 Type of request

- a Initial request for a determination letter for: Fee
 - An exempt organization that has had annual gross receipts averaging not more than \$10,000 during the preceding 4 years, or
 - A new organization that anticipates gross receipts averaging not more than \$10,000 during its first 4 years ▶ \$150

Note: If you checked box 3a, you must complete the Certification below.

Certification

I certify that the annual gross receipts of _____ name of organization
have averaged (or are expected to average) not more than \$10,000 during the preceding 4 (or the first 4) years of operation.
Signature ▶ _____ Title ▶ _____

- b Initial request for a determination letter for:
 - An exempt organization that has had annual gross receipts averaging more than \$10,000 during the preceding 4 years, or
 - A new organization that anticipates gross receipts averaging more than \$10,000 during its first 4 years ▶ \$500
- c Group exemption letters ▶ \$500

Instructions

The law requires payment of a user fee with each application for a determination letter. The user fees are listed on line 3 above. For more information, see Rev. Proc. 98-8, 1998-1, I.R.B. 225.

Check the box on line 3 for the type of application you are submitting. If you check box 3a, you must complete and sign the certification statement that appears under line 3a.

Attach to Form 8718 a check or money order payable to the Internal Revenue Service for the full amount of the user fee. If you do not include the full amount, your application will be returned. Attach Form 8718 to your determination letter application.

Send the determination letter application and Form 8718 to:
Internal Revenue Service
P.O. Box 192
Covington, KY 41012-0192

If you are using express mail or a delivery service, send the application and Form 8718 to:

Internal Revenue Service
201 West Rivercenter Blvd.
Attn: Extracting Stop 312
Covington, KY 41011

ILKINES, ARKY, ZALL & BERNSTEIN LLP
ATTORNEY BUSINESS ACCOUNT
1675 BROADWAY
NEW YORK, NY 10019-5809

STERLING NATIONAL BANK
NEW YORK, NY 10018
1-777-260

5390

CHECK NO.	CHECK DATE	VENDOR NO.
005390	08/18/99	IRS
CHECK AMOUNT		
\$*****500.00		

FIVE HUNDRED AND 00/100 DOLLARS*****

INTERNAL REVENUE SERVICE

⑈005390⑈ 1025000000

Barbara K. Katz, A. I.

WPAHS-002461