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February 18, 2020

**VIA HAND DELIVERY**

Joseph DiMemmo, CPA  
Deputy Insurance Commissioner  
Office of Corporate and Financial Regulation  
Pennsylvania Insurance Department  
1345 Strawberry Square  
Harrisburg, PA 17120

**Re: Request for Modification of Condition 14 of  
Order No. ID-RC-13-06 as modified**

Dear Deputy Commissioner DiMemmo:

Pursuant to Condition 27 of Order No. ID-RC-13-06 ("Order"), Highmark Health is filing with this letter a Request for Modification of Condition 14 of the Order. A copy has been provided electronically to Mr. Beaser and Mr. DeLacey.

Very truly yours,



Jack M. Stover

JMS/jls

Enclosure

cc: Lawrence J. Beaser, Esquire (via email)  
Patrick T. DeLacey (via email)

**RECEIVED**  
Corporate & Financial Regulation

**FEB 18 2020**

Pennsylvania  
Insurance Department

**REQUEST FOR MODIFICATION  
of  
CONDITION 14  
of the  
Commissioner's Approving Determination and Order  
(Order No. ID-RC-13-06)  
Dated April 29, 2013**

**Filed with the  
Pennsylvania Insurance Department  
on behalf of**

**Highmark Health  
Fifth Avenue Place  
120 Fifth Avenue  
Pittsburgh, PA 15222**

**February 18, 2020**

**Name, title, address, telephone number, and fax number of the individual to whom notices and correspondence concerning this Request for Modification should be addressed:**

**Edward A. Bittner, Jr., Esquire**  
Highmark Health  
Fifth Avenue Place  
120 Fifth Avenue, Suite FAPHM-211-C  
Pittsburgh, PA 15222-3099  
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**ITEM 1: IDENTITY OF PARTIES TO THE REQUEST FOR MODIFICATION**

- (A) The party requesting modification is Highmark Health.
- (B) The registered address and principal executive office address of Highmark Health is Fifth Avenue Place, 120 Fifth Avenue, Pittsburgh, PA 15222.
- (C) Highmark Health is a Pennsylvania nonprofit corporation.
- (D) Highmark Health is the sole corporate member of Highmark Inc. (“Highmark”), a Pennsylvania nonprofit health plan corporation.
- (E) Highmark Health also is the sole member of Allegheny Health Network (sometimes herein, “AHN”).
- (F) AHN is the sole member of West Penn Allegheny Health System, Inc. (“WPAHS”).

**ITEM 2:**

**A. BACKGROUND INFORMATION WITH RESPECT TO THE REQUEST FOR MODIFICATION**

On April 29, 2013, the Pennsylvania Insurance Commissioner issued Approving Determination and Order No. ID-RC-13-06 (as subsequently modified, the “Order”),<sup>1</sup> approving the application of UPE (n/k/a Highmark Health) to acquire control of Highmark and its insurance subsidiaries, subject to certain conditions. Following entry of the Order, Highmark Health, Highmark, AHN and WPAHS, a five-hospital provider system in southwestern Pennsylvania, entered into a series of transactions contemplated by an Affiliation Agreement among them (as subsequently amended, the “Affiliation Agreement”) whereby, among other things, each of Highmark and WPAHS became commonly controlled affiliates of Highmark Health (the “Affiliation”). Prior to the closing of the Affiliation (the “Closing”), Highmark Health/AHN had affiliated with Jefferson Regional Medical Center (“Jefferson”), which operates a hospital facility and related assets in southwestern Allegheny County, Pennsylvania. Highmark Health/AHN subsequently affiliated with the two-hospital Saint Vincent Health System (“Saint Vincent”) which operates primarily in Erie, Pennsylvania. Upon consummation of all these transactions, WPAHS, Jefferson and Saint Vincent formed what today is the Allegheny Health Network provider system, which, in turn, is part of an integrated health care delivery and financing system with Highmark.

As the Department is aware, at the time of the Closing, WPAHS was a financially distressed organization in need of significant capital investment to improve its competitive positioning. In order to facilitate the Closing, and as contemplated by the Affiliation Agreement, Highmark acquired, at Closing, approximately \$664 million of Allegheny County Hospital Development Authority (the “Authority”) revenue bonds which previously had been issued for the benefit of

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<sup>1</sup> Capitalized terms used herein without being defined have the meanings assigned to such terms in the Order.

WPAHS (the “2007 Bonds”). Highmark also made certain direct loans to WPAHS in accordance with the terms of the Affiliation Agreement. Highmark ultimately became the holder of a total of approximately \$524 million principal amount of this direct debt.

In May 2014, WPAHS refinanced the entire amount of the outstanding 2007 Bonds (including the 2007 Bonds held by Highmark) with the proceeds of a \$700 million term loan from PNC Bank, National Association (the “PNC Term Loan”). Highmark guaranteed WPAHS’ obligations to repay the PNC Term Loan and secured its obligation under the guarantee by a pledge of a combination of cash and securities.

In June 2015, the Department approved, subject to certain conditions, a request by Highmark that it be permitted to make an additional Financial Commitment to AHN in the form of a \$175 million grant to fund certain capital improvements at AHN. Among the conditions imposed in connection with the Department’s approval of this grant was a requirement that Highmark Health submit to the Department a “corrective action plan” with respect to AHN and its Affiliates (the “AHN Corrective Action Plan”). The approval also required that, following delivery of the final AHN Corrective Action Plan, Highmark Health would benchmark WPAHS’ financial performance for each quarter against the projections that were required to be included in the final AHN Corrective Action Plan. The Department subsequently permitted Highmark Health to submit an AHN strategic and financial plan (the “AHN Strategic and Financial Plan”) as a substitute for the final AHN Corrective Action Plan. Highmark Health filed the AHN Strategic and Financial Plan with the Department in February 2017.

By letter dated July 28, 2017, the Department granted, in part, a request by Highmark to modify certain provisions of the Order relating to Financial Commitments. The Department’s letter approving these modifications included as a condition that, no later than thirty (30) days after the RBC Rating of Highmark exceeded 650%, Highmark would “forgive for statutory accounting purposes (or finalize an alternative repayment method acceptable to the Department in form and substance with respect to),” among other things, the outstanding Highmark loans to WPAHS. Highmark forgave these loans in December 2017. Since that time, Highmark has not held any AHN debt obligations.

On December 29, 2017, AHN completed a consolidated refinancing of virtually all remaining third party debt of the AHN system (including the PNC Term Loan) with proceeds from the issuance of \$1 billion of Authority revenue bonds (the “2017 Bonds”). Highmark guaranteed AHN’s repayment obligations with respect to the 2017 Bonds.

In August 2018, AHN refunded the 2017 Bonds with proceeds from the issuance of a new series of Authority revenue bonds (the “2018 Bonds”). The 2018 Bond transaction did not require that Highmark guarantee AHN’s obligations or provide collateral security with respect thereto and Highmark’s guaranty under the 2017 Bonds was discharged.

In connection with the issuance of the 2018 Bonds, AHN entered into a Continuing Disclosure Agreement, dated August 29, 2018 (the “Continuing Disclosure Agreement”), for the benefit of the holders of the 2018 Bonds (the “2018 Bondholders”). The Continuing Disclosure Agreement requires AHN to provide certain reports and other information (including certain financial

statements and information) to the 2018 Bondholders and sets forth specific requirements for the content and timing of AHN's disclosures. A copy of the Continuing Disclosure Agreement is attached as Exhibit A to this Request for Modification.

## **B. THE REQUEST FOR MODIFICATION**

Condition 14.C. of the Order, as currently in effect, provides as follows:

Highmark Health shall continue to file quarterly with the Department the Required AHN Financial and Operational Information pursuant to this Condition 14 for each quarter through the period ended December 31, 2020 and thereafter annually on July 1 of each year; provided that the Department may extend the requirement to file the Required AHN Financial and Operational Information quarterly for up to an additional five (5) years if, in the judgment of the Department, such an extension is in the public interest. Highmark Health shall benchmark (the "Benchmark Report") the actual results for each such quarter and annually thereafter against the projections contained in the "Allegheny Health Network Strategic and Financial Plan (2017-2020)" ("AHN Strategic and Financial Plan"), as filed with the Department and as such plan may be updated or extended, if required by the Department pursuant to Condition 15. A public version of the AHN Financial and Operational Information and the Benchmark Report also shall be filed with the Department at the same time as these reports are filed with the Department.

Condition 27 of the Order provides as follows:

Upon written request by a Highmark Health Entity setting forth: (a) the specific Condition(s) for which such Highmark Health Entity seeks relief; (b) the reason for which such relief is necessary and (c) an undertaking by such Highmark Health Entity to provide all such further information as the Department shall require to evaluate the request, the Department may evaluate and, after evaluation of the request, the Commissioner, in the Commissioner's sole discretion, may grant relief, in whole or in part, from one or more of the Conditions as the Commissioner may . . . deem appropriate.

Pursuant to Condition 27, Highmark Health hereby requests that Condition 14.C. of the Order be modified to read in its entirety as set forth below:

As required pursuant to Condition 14.B. or 14.C. as applicable, Highmark Health shall file with the Department a report setting forth the following financial and operational information for the AHN Entities (the "Required AHN Financial and Operational Information").

- A. The Required AHN Financial and Operational Information shall include for the AHN Entities:
  - (1) The public filings that AHN is required to file pursuant to the Continuing Disclosure Agreement, dated August 29, 2018, that was

signed by AHN in connection with the issuance of the Allegheny County Hospital Development Authority Revenue Bonds, Series 2018A (the "Series 2018A Bonds") in the form and substance included in the EMMA website ([www.emma.msrb.org](http://www.emma.msrb.org)) through November 26, 2019 or as otherwise required by that Continuing Disclosure Agreement (each an "EMMA Filing");

- (2) Supplemental information, in a form and substance acceptable to the Department, corresponding to the fiscal quarter including year to date information covered by the foregoing filings regarding AHN's operations and finances: key financial indicators, consolidated statements of operations; consolidated balance sheets; consolidated statements of cash flow; consolidated days cash on hand; consolidated debt service coverage ratio; selected entity financial metrics; capital expenditures; change in AHN's net assets; and AHN's inpatient volume, all in the format previously provided to the Department;
  - (3) For each quarter ending prior to December 31, 2020, a benchmark comparison of the actual results for each such quarter including year to date information covered by such report against the projections contained in the "Allegheny Health Network Strategic and Financial Plan (2017-2020)" ("AHN Strategic and Financial Plan"), as filed with the Department;
  - (4) If AHN ceases to produce a stand-alone audited financial statement, then Highmark Health shall deliver consolidating financial statements showing AHN's financial position, results of operations and changes in cash flow, on a stand-alone basis; and
  - (5) Such other financial and operational information related to AHN or any AHN Affiliate as may be requested, from time to time, by the Department.
- B. A public version of the Required AHN Financial and Operational Information also shall be filed with the Department at the same times as provided in Section 14.C. That public version shall consist of the information contained in each EMMA Filing while the Series 2018A Bonds (or any replacement bonds) are outstanding. Thereafter, the public version shall be in a form approved by the Department.
- C. Beginning with the report required for the quarter ended December 31, 2019, the Required AHN Financial and Operational Information shall be filed not later than each March 30, May 30, August 29 and November 29 after the end of AHN's fiscal quarters (ending December 31, March 31, June 30 and September 30, respectively); provided that from and after December 31, 2020, the supplemental information required pursuant to Condition 14.A.(2) shall be

filed annually only not later than each March 30 after the end of AHN's prior fiscal year. Highmark Health shall make members of its and AHN's management teams available to the Department on a timely basis for purposes of reviewing the Required AHN Financial and Operational Information with the Department and any consultants retained by the Department.

- D. On or before February 29, 2020, Highmark Health shall file with the Department the Required AHN Financial and Operational Information for the quarters ending on June 30, 2019 and September 30, 2019 instead of the Required AHN Financial and Operational Information for such quarters required pursuant to Condition 14 as in effect prior to December 31, 2019.

Pursuant to Condition 27, Highmark Health hereby further requests that Condition 14.C. of the Order be modified by adding the following definitions:

"AHN Affiliates" means all Affiliates of AHN.

"AHN Entities" or "AHN Entity" means, individually and/or collectively, AHN and all Affiliates of AHN.

"EMMA Filing" shall have the meaning set forth in Condition 14.

"Required AHN Financial and Operational Information" shall have the meaning set forth in Condition 14.

#### **C. REASON THE MODIFICATION IS NECESSARY**

With the public issuance of the 2018 Bonds, AHN become an "issuer" of securities subject to the Securities Exchange Act of 1934 and its implementing regulations, including Rule 10b-5 ("Rule 10b-5") promulgated by the Securities and Exchange Commission. Highmark Health has provided the Department with a letter from counsel to AHN, setting forth a legal analysis of the securities law risks to AHN of being required to continue to file, as a public document, information regarding the financial and operational performance of AHN that the holders of the 2018 Bonds have not otherwise required.

Since 2013, AHN, including WPAHS, has undergone a remarkable turnaround in its financial performance. At the end of 2018, AHN had net assets of \$1,179.2 million, an increase of almost \$1 billion since the creation of the AHN system. Its total revenue base increased from over \$2.2 billion in 2013 to over \$3.2 billion in 2018. In 2018, AHN achieved an excess of revenue over expenses of \$2.8 million, representing a 101 % increase over 2013 results. Operating results increased from a pro forma operating loss of \$527.9 million in 2013 to an operating gain of \$39.0 million in 2018. Earnings before interest, taxes, depreciation and amortization improved from a negative \$24.0 million in 2013 to a positive \$182.4 million in 2018. As a result of its improved financial position, among other factors, AHN was able to undertake the offering of the 2018 Bonds with an "A" rating from S&P Global Ratings without a Highmark guarantee, providing an independent validation of AHN's progress. The successful placement of the 2018 Bonds, in turn, further strengthened and stabilized the system as the five year maturity of the

former AHN debt was replaced with low-cost, long-term (29-year) debt in the form of the 2018 Bonds.

In summary, circumstances have changed since Condition 14 was drafted in its current form. AHN's financial position has dramatically improved; Highmark no longer has financial exposure related to bonds or any other material debt instruments of AHN; and, most importantly, with the issuance of the 2018 Bonds, AHN faces securities laws risks that were not a concern in 2017. Moreover, Highmark Health believes that the public quarterly reporting requirements that will remain following the modifications requested in this Request for Modification will be sufficient to allow the public to monitor, on a timely basis, AHN's financial condition and performance. For these reasons, Highmark Health is requesting that the Department grant the modification requested herein with respect to its public and confidential filings.

Highmark Health also is requesting that the Department modify the required timing for its reporting obligations under Condition 14, which overlap and, to a large extent, duplicate, requirements in the Continuing Disclosure Agreement, but with differences in timing. For example, under the Continuing Disclosure Agreement, AHN is required to provide quarterly reports to the 2018 Bondholders within sixty (60) days of the close of each of the first three (3) fiscal quarters of the year and within ninety (90) days after the close of a fiscal year. Under Condition 14, reports containing much the same information are due to the Department within thirty (30) days following the end of each quarter, including the fourth quarter. While any inconsistencies create potential problems with subsequently discovered events or simple errors, the issue is particularly acute in the case of year-end disclosures, where the timing differences create the potential for inconsistent information between the two filings if variances are discovered in the course of completing year-end audit work. AHN's financial covenants under the documents governing the 2018 Bonds are calculated as of the end of the fiscal year, and early release of year-end numbers, prior to completion of audit adjustments through the normal audit process, may result in inaccurate early reporting of the data from which the covenants are calculated. Any adjustment determined prior to completion of the audit would give rise to potentially challenging decisions about whether to post a public correction of the information previously filed with the Department in advance of completion of the audit. During the intervening period, AHN would be in the very difficult position of being aware that trading of its Bonds might be ongoing based on the previously filed PID information, but not yet having final audited numbers that might, in fact, require yet another change.

For the above reasons, Highmark Health is requesting that the Department grant the relief requested by this Request for Modification.

### **ITEM 3:      ADDITIONAL INFORMATION**

Highmark Health will provide the Department with such further information as the Department may need to evaluate the requests contained in this Request for Modification.



**ITEM 4: SIGNATURE AND CERTIFICATION**

Highmark Health has caused this Request for Modification to be duly signed on its behalf in the City of Pittsburgh and Commonwealth of Pennsylvania on the 18 day of February, 2020.

(SEAL)

**HIGHMARK HEALTH**

By: [Signature] Title: COO

Attest:

By: [Signature] Title: Secretary

**CERTIFICATION**

The undersigned deposes and says that he/she has duly executed the attached Request for Modification, dated February 18, 2020, for and on behalf of Highmark Health; that he/she is the Secretary of such company; and that he/she is authorized to execute and file such instrument. Deponent further says that he/she is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his/her knowledge, information and belief.

Signature: [Signature]  
Typed Name: Thomas Van Kirk

# **EXHIBIT A**

## CONTINUING DISCLOSURE AGREEMENT

\$943,365,000

**Allegheny County Hospital Development Authority  
Revenue Bonds  
(Allegheny Health Network Obligated Group Issue)  
Series 2018A**

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by Allegheny Health Network ("AHN") and Digital Assurance Certification, L.L.C., in its capacity as dissemination agent hereunder (the "Dissemination Agent"), in connection with the issuance of the above-named bonds (the "Bonds"). The Bonds will be issued pursuant a Bond Indenture, dated as of August 1, 2018 (the "Bond Indenture"), between the Allegheny County Hospital Development Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee"). The proceeds of the Bonds will be loaned by the Authority to AHN pursuant to a Loan Agreement, dated as of August 1, 2018 (the "Loan Agreement"), between the Authority and AHN. Pursuant to the terms of the Bond Indenture and the Loan Agreement, AHN covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by AHN and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule. AHN acknowledges that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any Person, including any Holder or Beneficial Owner of the Bonds, with respect to the Rule (as defined below).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Bond Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by AHN pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Bonds" shall mean the Allegheny County Hospital Development Authority Revenue Bonds (Allegheny Health Network Obligated Group Issue) Series 2018A.

"Credit Group Financial Statements" has the meaning set forth in the Master Indenture.

"Dissemination Agent" shall mean Digital Assurance Certification, L.L.C., or any successor Dissemination Agent designated in writing by AHN and which has filed with AHN a written acceptance of such designation.

"Holder" shall mean the person in whose name any Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 6(a) of this Disclosure Agreement.

"Master Indenture" means the Master Trust Indenture, dated as of December 1, 2017, by and among AHN, the initial Obligated Group Members and The Bank of New York Mellon Trust Company, N.A., as master trustee, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"Members" has the meaning set forth in the Master Indenture.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule.

"Official Statement" means the official statement relating to the Bonds dated August 15, 2018.

"Participating Underwriters" shall mean the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### SECTION 3. Provision of Annual Reports.

(a) AHN, on behalf of the Members, shall, or shall cause the Dissemination Agent to, not later than each May 30 immediately following the end of AHN's fiscal year, commencing May 30, 2019, provide to the MSRB an Annual Report for the immediately preceding fiscal year ended December 31 which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Agreement. The audited Credit Group Financial Statements may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If AHN's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 6(b). The Annual Report shall identify the Bonds by name and CUSIP number.

(b) Not later than two (2) Business Days prior to the date required in subsection (a) of this Section for provision of an Annual Report, AHN shall provide the Annual Report to the Dissemination Agent (if other than AHN). If the Dissemination Agent is unable to provide to the MSRB an Annual Report, or to verify that the Annual Report has been so provided, by the date required in subsection (a) of this Section, the Dissemination Agent shall send a notice in a timely manner to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine, prior to the filing of each Annual Report, the name, address and method of filing of each entity designated by the Securities Exchange Commission to receive reports or notices pursuant to the Rule; and

(ii) file a report with AHN (if the Dissemination Agent is other than AHN) certifying that the Annual Report has been filed pursuant to this Disclosure Agreement, stating the date it was filed (and if one or more entities other than the MSRB have been designated by the Securities Exchange Commission to receive reports or notices pursuant to the Rule, specifying the name, address and/or web address and method of filing applicable to each such entity).

**SECTION 4. Content of Annual Reports.** AHN's Annual Report shall contain or include by reference the audited Credit Group Financial Statements for the preceding fiscal year, prepared in accordance with Generally Accepted Accounting Principles. If audited Credit Group Financial Statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited Credit Group Financial Statements in a format similar to the financial statements contained in the Official Statement, and the audited Credit Group Financial Statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

To the extent not included in the audited Credit Group Financial Statements, the Annual Report shall also include the following:

1. other financial, statistical and operating data for such fiscal year in form and scope similar to the financial, statistical and operating data included under the captions "FINANCIAL AND OPERATING INFORMATION – Utilization," "– AHN Source of Revenues," "– AHN Summary Statement of Operations," "– AHN Summary Balance Sheet," "– AHN Days Cash on Hand," "– AHN Debt Service Coverage Ratio" and "– Debt-to-Capitalization" in APPENDIX A of the Official Statement pertaining to the Bonds; and
2. to the extent required to make the balance of the information contained therein not misleading, a narrative discussion and analysis of the financial and operating data described in the Credit Group Financial Statements and financial, statistical and operating data described in clause (1) above, prepared on behalf of the Members; and
3. a narrative explanation of the reasons for any amendments to this Disclosure Agreement or Section 5.5 of the Loan Agreement or Section 6.11 of the Bond Indenture made during the previous fiscal year and the impact of such amendments on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by AHN as provided in Section 10 of this Disclosure Agreement.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of AHN or related entities, which have been made available to the public on the MSRB's website. AHN shall clearly identify each such other document so included by reference.

SECTION 5. Quarterly Reports.

(a) AHN, on behalf of the Members, shall, or shall cause the Dissemination Agent to, not later than each May 30, August 29, November 29 and March 30 after the end of each of AHN's fiscal quarters (ending March 31, June 30, September 30 and December 31, respectively), commencing with the report for the fiscal quarter ending September 30, 2018, provide to the MSRB a Quarterly Report which is consistent with the requirements of subsection (b) of this Section. The Quarterly Report may cross-reference other information as provided in Section 4 of this Disclosure Agreement.

(b) "Quarterly Report" means, for any specified fiscal quarter, unaudited quarterly financial statements of the Credit Group (generally similar to those included under the captions "FINANCIAL AND OPERATING INFORMATION – AHN Summary Statement of Operations" and "– AHN Summary Balance Sheet") for such fiscal quarter. Notwithstanding the foregoing, at the option of AHN, such financial statements may include the unaudited Credit Group financial statement in a format similar to the financial statement contained in the Official Statement which includes the Summary Statement of Operations and Summary Balance Sheet.

SECTION 6. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 6, AHN shall give, or upon delivery of the information to the Dissemination Agent, the Dissemination Agent shall give notice of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of an obligated person (as defined in the Rule);
13. The consummation of a merger, consolidation, or acquisition involving an obligated person (as defined in the Rule) or the sale of all or substantially all the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. The appointment of a successor or additional trustee, or the change in the name of the trustee, if material.

Note: for the purposes of the event identified in subparagraph (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person;

(b) AHN shall file, or instruct the Dissemination Agent to file, with a copy to AHN, notice of the occurrence of a Listed Event with the Authority and the MSRB, in a timely manner, but not in excess of ten (10) Business Days after the occurrence of such Listed Event.

**SECTION 7. Filing With MSRB; EMMA.** Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>. Documents submitted to the MSRB, including EMMA, pursuant to this Disclosure Agreement shall be in electronic format and accompanied by identifying information as prescribed by the MSRB, in accordance with the Rule.

**SECTION 8. Termination of Reporting Obligation.** The obligations of AHN and the Dissemination Agent under this Disclosure Agreement with respect to the Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs with respect to the Bonds prior to the final maturity of the Bonds, AHN shall give notice of such termination in the same manner as for a Listed Event under Section 6(b).

**SECTION 9. Dissemination Agent.** AHN may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement,

and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by AHN pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be Digital Assurance Certification, L.L.C.

SECTION 10. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, AHN, with the written consent of the Authority, and the Dissemination Agent, may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 6(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Bond Indenture for amendments to such Bond Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, AHN shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by AHN. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 6(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Notwithstanding anything to the contrary in this Disclosure Agreement, in the event of a change in the fiscal year of AHN, all dates specified herein shall be deemed to refer to the corresponding dates in the revised fiscal year. AHN shall specify any change in fiscal year in the next report filed (as described in this Disclosure Agreement) following the change of such fiscal year.

SECTION 11. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent AHN or any other Member from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report, Quarterly Report or



notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If AHN chooses to include any information in any Annual Report, Quarterly Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, AHN shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Quarterly Report or notice of occurrence of a Listed Event. In 2019, 2020 and 2021, and thereafter at its discretion, AHN will hold an annual investor call. Such investor call shall be preceded by notice posted to EMMA.

SECTION 12. Default. In the event of a failure of AHN or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Bond Indenture grants the right to the Bond Trustee, and imposes a duty upon the written direction of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, but only to the extent indemnified to its satisfaction for any liability or expense, including without limitation reasonable attorney's fees and expenses and any additional fees and charges of the Bond Trustee, and allows any Holder or Beneficial Owner of the Bonds to take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause AHN or the Dissemination Agent, as the case may be, to comply with their respective obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of AHN or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 13. Beneficiaries; Enforcement Rights of Authority. This Disclosure Agreement shall inure solely to the benefit of AHN, the Authority, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Duties, Immunities and Liabilities of the Dissemination Agent. Article VIII of the Bond Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Bond Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and AHN agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including reasonable attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by AHN for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and AHN from time to time. The Dissemination Agent shall have no duty or obligation to review any information provided to it by AHN or any Member or hereunder and shall not be deemed to be acting in any fiduciary capacity for AHN, any Member, the Holders, Beneficial Owners or any other party. The obligations of AHN under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

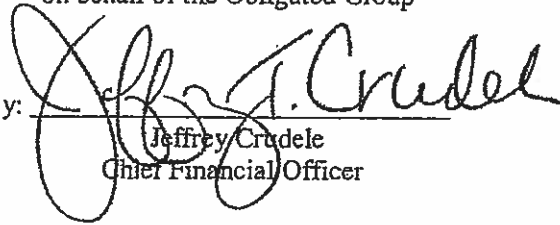
SECTION 15. Business Days. If the time for performing any act required by this Disclosure Agreement shall be a day that is not a Business Day, such act may be performed on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Disclosure Agreement.

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: August 29, 2018

ALLEGHENY HEALTH NETWORK,  
for itself and as Credit Group Representative  
on behalf of the Obligated Group

By: \_\_\_\_\_



Jeffrey Crudele  
Chief Financial Officer

DIGITAL ASSURANCE CERTIFICATION, L.L.C.  
as Dissemination Agent

By: \_\_\_\_\_

Shana Blanchard  
Client Service Manager, Deputy Director

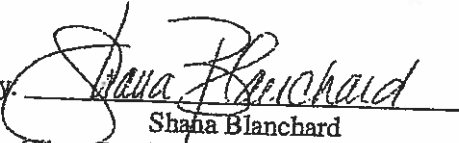
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By: \_\_\_\_\_  
Jeffrey Crudele  
Chief Financial Officer

DIGITAL ASSURANCE CERTIFICATION, L.L.C.  
as Dissemination Agent

By:   
Shana Blanchard  
Client Service Manager, Deputy Director

**CONTINUING DISCLOSURE EXHIBIT A**

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Allegheny County Hospital Development Authority  
Name of Bond Issue: Allegheny County Hospital Development Authority  
Revenue Bonds  
(Allegheny Health Network Obligated Group Issue)  
Series 2018A  
Name of Borrower: Allegheny Health Network  
Date of Issuance: August 29, 2018

NOTICE IS HEREBY GIVEN that Allegheny Health Network ("AHN") has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Agreement of AHN dated the Date of Issuance. [AHN anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

ALLEGHENY HEALTH NETWORK

By \_\_\_\_\_ [to be signed only if filed]