FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(MARK ONE)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1997

OR

(_) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from .....to.....
Commission file number 0-10454

UNIVERSAL HEALTH SERVICES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	23-2077891
(State or other jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

UNIVERSAL CORPORATE CENTER
367 SOUTH GULPH ROAD
KING OF PRUSSIA, PENNSYLVANIA 19406
(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code (610) 768-3300

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common shares outstanding, as of July 31, 1997:

Class A	2,060,929
Class B	30,020,414
Class C	207,230
Class D	33,325

UNIVERSAL HEALTH SERVICES, INC.

I N D E X

PART I. FINANCIAL INFORMATION

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1997	1996	1997	1996
Net revenues	$343,826	$282,072	$683,996	$548,595
Operating charges:				
Operating expenses	136,265	109,615	265,939	211,950
Salaries and wages	119,138	101,331	238,885	195,831
Provision for doubtful accounts	27,450	19,709	51,113	36,383
Depreciation and amortization	19,815	16,721	38,843	31,504
Lease and rental expense	9,307	9,573	18,428	18,978
Interest expense, net	5,384	5,972	10,340	10,620
	317,359	262,921	623,548	505,266
Income before income taxes	26,467	19,151	60,448	43,329
Provision for income taxes	9,560	6,935	22,011	15,612
Net income	$ 16,907	$ 12,216	$ 38,437	$ 27,717
Earnings per common and common share equivalents:	$ 0.51	$ 0.42	$ 1.16	$ 0.96
Weighted average number of common shares and equivalents:	33,114	28,958	33,050	28,835

See accompanying notes to these condensed consolidated financial statements.

UNIVERSAL HEALTH SERVICES,INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(000's omitted)

	JUNE 30, 1997 (UNAUDITED)	DECEMBER 31, 1996
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 622	$ 288
Accounts receivable, net	149,406	145,364
Supplies	23,455	22,019
Deferred income taxes	13,067	12,313
Other current assets	14,242	13,969
Total current assets	200,792	193,953
Property and equipment	904,690	839,564
Less: accumulated depreciation	(299,383)	(271,936)
	605,307	567,628
OTHER ASSETS:		
Excess of cost over fair value of net assets acquired	140,667	150,336
Deferred income taxes	11,284	9,993
Deferred charges	10,465	11,237
Other	35,658	32,648
	198,074	204,214
	$ 1,004,173	$ 965,795
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 5,634	$ 6,866
Accounts payable and accrued liabilities	145,293	132,441
Federal and state taxes	--	772
Total current liabilities	150,927	140,079
Other noncurrent liabilities	94,392	97,102
Long-term debt, net of current maturities	263,115	275,634
COMMON STOCKHOLDERS' EQUITY:		
Class A Common Stock, 2,060,929 shares outstanding in 1997, 2,060,929 in 1996	21	21
Class B Common Stock, 30,019,844 shares outstanding in 1997, 29,816,153 in 1996	300	298
Class C Common Stock, 207,230 shares outstanding in 1997, 207,230 in 1996	2	2
Class D Common Stock, 33,495 shares outstanding in 1997, 36,805 in 1996	--	--
Capital in excess of par, net of deferred compensation of $166,000 in 1997 and $377,000 in 1996	198,628	194,308
Retained earnings	296,788	258,351
	495,739	452,980
	$ 1,004,173	$ 965,795

See accompanying notes to these condensed consolidated financial statements

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(000s omitted - unaudited)

	SIX MONTHS ENDED JUNE 30,	
	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 38,437	$ 27,717
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation & amortization	38,843	31,504
Provision for self-insurance reserves	8,874	7,401
Changes in assets & liabilities, net of effects from acquisitions and dispositions:		
Accounts receivable	(4,042)	7,466
Accrued interest	(149)	(491)
Accrued and deferred income taxes	(773)	4,220
Other working capital accounts	10,424	13,384
Other assets and deferred charges	(4,555)	(7,141)
Other	5,118	327
Payments made in settlement of self-insurance claims	(12,554)	(5,639)
NET CASH PROVIDED BY OPERATING ACTIVITIES	79,623	78,748
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment additions, net	(66,736)	(50,432)
Acquisition of business	--	(165,142)
Notes receivable related to acquisitions	--	(10,545)
NET CASH USED IN INVESTING ACTIVITIES	(66,736)	(226,119)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Reduction of long-term debt	(13,751)	--
Additional borrowings	--	47,330
Issuance of common stock	1,198	100,345
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(12,553)	147,675
INCREASE IN CASH AND CASH EQUIVALENTS	334	304
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	288	34
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 622	$ 338
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$ 10,489	$ 11,111
Income taxes paid, net of refunds	$ 22,784	$ 11,614

See accompanying notes to these condensed consolidated financial statements.

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) GENERAL

The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission and reflect all adjustments which, in the opinion of the Company, are necessary to fairly present results for the interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the accompanying disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the financial statements, accounting policies and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

Prior to 1997, the Company included charity care services as a component of its provision for doubtful accounts. Effective January 1, 1997, in accordance with health care industry practice, the Company began excluding charity care from net revenues, and has reclassified the 1996 amounts to conform with this presentation. The change in presentation has no effect on reported net income.

(2) EARNINGS PER SHARE

Earnings per share are based on the weighted average number of common shares outstanding during the year adjusted to give effect to common stock equivalents. In April 1996, the Company declared a two-for-one stock split in the form of a 100% stock dividend which was paid in May, 1996. All classes of common stock participated on a pro rata basis. The weighted average number of common shares and equivalents and earnings per common and common equivalent share for the three and six months ended June 30, 1996 have been adjusted to reflect the two-for-one stock split.

The Financial Accounting Standards Board recently issued Statement 128, Earnings per Share, which is effective for financial statements for periods ending after December 15, 1997. Pursuant to the provisions of Statement 128, the Company's basic earnings per share would have been $.52 and $.43 for the three month periods ended June 30, 1997 and 1996 and $1.19 and $.99 for the six months ended June 30, 1997 and 1996, respectively. The diluted earnings per share would have been $.51 and $.42 for the three month periods ended June 30, 1997 and 1996 and $1.16 and $.96 for the six months ended June 30, 1997 and 1996, respectively.

(3) OTHER LIABILITIES

Other noncurrent liabilities include the long-term portion of the Company's professional and general liability and workers' compensation reserves.

(4) COMMITMENT AND CONTINGENCIES

Under certain agreements, the Company has committed or guaranteed an aggregate of $14 million related principally to the Company's self-insurance programs and as support for various debt instruments and loan guarantees.

(5) SUBSEQUENT EVENTS

Subsequent to the end of the 1997 second quarter, the Company entered into a partnership agreement for the ownership and operation of The George Washington University Hospital, a 501-bed acute care facility located in Washington, D.C. The Company holds an 80% interest in the partnership and The George Washington University holds a 20% interest. The Company also entered into a management agreement, which commenced in April 1997, to manage the operations of the hospital. Pursuant to the terms of the partnership agreement, the Company will provide an immediate commitment of $80 million ($40 million in cash and a $40 million letter of credit) as part of a total intended investment by the partnership of $125 million over the next ten years for enhancement of the hospital's operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The matters discussed in this report as well as the news releases issued from time to time by the Company contain certain forward-looking statements that involve risks and uncertainties, including, among other things, that the majority of the Company's revenues are produced by a small number of its total facilities, possible changes in levels and terms of reimbursement for the Company's charges by government programs or other third party payors, the ability of the Company to successfully integrate its recent and proposed acquisitions and the ability to continue to finance its growth on favorable terms.

RESULTS OF OPERATIONS

Net revenues increased 22% or $62 million for the three months ended June 30, 1997 and 25% or $135 million for the six months ended June 30, 1997, over the comparable prior year periods. Net revenues at hospital facilities owned during both periods increased $33 million or 12% and $47 million or 9% for the three and six months ended June 30, 1997, respectively, over the comparable prior year periods. Also contributing to the increase in net revenues for the three and six month periods was the acquisitions of a 357-bed medical complex located in Amarillo, Texas and four behavioral health centers located in Pennsylvania, all of which were acquired during the second quarter of 1996.

Earnings before interest, income taxes, depreciation, amortization and lease and rental expense (EBITDAR) increased 19% or $10 million for the three months ended June 30, 1997 and 23% or $24 million for the six months ended June 30, 1997 as compared to the comparable prior year periods. Overall operating margins were 18% for the three months ended June 30, 1997 and 1996 and 19% for the six months ended June 30, 1997 and 1996.

ACUTE CARE SERVICES

Net revenues from the Company's acute care hospitals, ambulatory treatment centers and women's center accounted for 85% and 84% of consolidated net revenues for the three month periods ended June 30, 1997 and 1996, and 85% and 86% of consolidated net revenues for the six month periods ended June 30, 1997 and 1996, respectively. Net revenues at the Company's acute care hospitals owned during both periods increased 14% and 10% for the three and six month periods ended June 30, 1997, respectively, over the comparable prior year periods. Inpatient admissions at these facilities increased 7% during the 1997 second quarter over the comparable prior year quarter and 3% for the six month period ended June 30, 1997 as compared to the comparable prior year six month period. Patient days at the Company's acute care facilities owned during both periods increased 8% and 3% for the three and six months ended June 30, 1997, respectively, over the comparable prior year periods. Outpatient activity at the Company's acute care hospitals continues to increase as gross outpatient revenues at the acute care facilities owned during both periods increased 12% for each of the three and six month periods ended June 30, 1997 over the comparable prior year periods. Gross outpatient revenues comprised 27% of the Company's acute care gross patient revenues during the second quarter of 1997 as compared to 26% during the 1996 second quarter and 26% for the six months ended June 30, 1997 as compared to 25% for the prior year six month period. The increase is primarily the result of advances in medical technologies, which allow more services to be provided on an outpatient basis, and increased pressure from Medicare, Medicaid, health maintenance organizations (HMOs), preferred provider organizations (PPOs) and insurers to reduce hospital stays and provide services, where possible, on a less expensive outpatient basis. To accommodate the increased utilization of outpatient services, the Company has expanded or redesigned several of its outpatient facilities and services.

BEHAVIORAL HEALTH SERVICES

Net revenues from the Company's behavioral health services facilities accounted for 15% of the Company's consolidated net revenues for the three month periods ended June 30, 1997 and 1996 and 15% and 13% of consolidated net revenues for the six month periods ended June 30, 1997 and 1996, respectively. Net revenues at the Company's behavioral health centers owned during both periods remained relatively unchanged during the 1997 second quarter as compared to the 1996 second quarter and decreased 1% for the six month period ended June 30, 1997 as compared to the comparable 1996 period. Admissions and patient days at the facilities owned during both periods increased 3% during the 1997 second quarter over the 1996 second quarter as the average length of stay remained unchanged at 12.7 days in both three month periods. Admissions at these facilities increased 5% for the six month period ended June 30, 1997 as compared to the comparable prior year period while patient days increased 2% during this period over the comparable prior year period. The average length of stay decreased 4% to 11.9 days during the 1997 six month period as compared to 12.4 days in the comparable prior year period. The relatively flat net revenues at the facilities owned during both periods resulted primarily from continued pressure from payors to reduce the average length of stay at these facilities as a large portion of the Company's behavioral health services' revenues are reimbursed on a per diem basis. The reduction in the average length of stay is a result of changing practices in the delivery of behavioral health services and continued cost containment pressures from payors which includes a greater emphasis on the utilization of outpatient services. Management of the Company has responded to these trends by developing and marketing new outpatient treatment programs. The shift to outpatient care is reflected in higher revenues from outpatient services, as gross outpatient revenues at the Company's behavioral health services facilities owned during both periods increased 6% and 9% for the three and six month periods ended June 30, 1997, respectively, over the comparable prior year periods. Gross outpatient revenues comprised 22% of the Company's behavioral health services' net revenues for the three months ended June 30, 1997 as compared to 18% during the 1996 comparable three month period and 20% for the six month period ended June 30, 1997 as compared to 18% in the comparable prior year period.

OTHER OPERATING RESULTS

Depreciation and amortization expense increased 19% or $3 million for the three months ended June 30, 1997 and 23% or $7 million for the six months ended June 30, 1997, over the comparable prior year periods due primarily to the 1996 acquisitions mentioned above.

Interest expense decreased $600,000 or 10% for the three month period ended June 30, 1997 and $300,000 or 3% for the six month period ended June 30, 1997 over the comparable prior year periods due primarily to lower average outstanding borrowings and a slight decrease in rates. In June 1996, the Company issued four million shares of its Class B Common Stock at a price of $26 per share. The total net proceeds of $99.1 million generated from this stock issuance were used to partially finance the 1996 purchase transitions mentioned above.

The effective tax rate was 36% for each of the three and six month periods ended June 30, 1997 and 1996.

GENERAL TRENDS

An increased proportion of the Company's revenue is derived from fixed payment services, including Medicare and Medicaid which accounted for 54% and 52% of the Company's net patient revenues for the three month periods ended June 30, 1997 and 1996 and 52% and 50% for the six month periods ended June 30, 1997 and 1996, respectively. The Company expects the Medicare and Medicaid revenues to continue to increase as a larger portion of the general population qualifies for coverage as a result of the aging of the population and expansion of state Medicaid programs. The Medicare

program reimburses the Company's hospitals primarily based on established rates by a diagnosis related group for acute care hospitals and by cost based formula for behavioral health facilities.

In addition to the Medicare and Medicaid programs, other payors continue to actively negotiate the amounts they will pay for services performed. In general, the Company expects the percentage of its business from managed care programs, including HMOs and PPOs to grow. The consequent growth in managed care networks and the resulting impact of these networks on the operating results of the Company's facilities vary among the markets in which the Company operates.

In addition to the trends described above that continue to have an impact on operating results, there are a number of other more general factors affecting the Company's business. In August 1997, a five year budget plan was approved which calls for a $115 billion reduction in the rate of increase in Medicare spending over the next five years. Included in this proposal is a $39 billion reduction in the future rate of increases to payments made to hospitals. The Company is unable to quantify the effect of this plan, and no assurance can be given that the implementation of this plan will not have a material adverse effect on the Company's business. In Texas, a law has been passed which mandates that the state senate apply for a waiver from current Medicaid regulations to allow the state to require that certain Medicaid participants be serviced through managed care providers. The Company is unable to predict whether Texas will be granted such a waiver or the effect on the Company's business of such waiver. Upon meeting certain conditions, and serving a disproportionately high share of Texas' and South Carolina's low income patients, three of the Company's facilities located in Texas and one in South Carolina became eligible and received additional reimbursement from each state's disproportionate share hospital fund. Included in the Company's financials was an aggregate of $8.3 million and $3.6 million for the three month periods ended June 30, 1997 and 1996 and $16.4 million and $5.4 million for the six months ended June 30, 1997 and 1996, respectively, received pursuant to the terms of these programs. These programs, which terminate in the third quarter of 1997, have been renewed although the Company is uncertain as to the amount of reimbursement to be received pursuant to the terms of these programs.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $80 million for the six months ended June 30, 1997 and $79 million for the six months ended June 30, 1996. The $1 million net increase during the 1997 six month period as compared to the 1996 comparable period was due primarily to a $20 million increase in the net income plus the addback of the non-cash charges (depreciation, amortization and provision for self-insurance reserves) offset by a $11 million increase in income tax payments and a $7 million increase in payments made in settlement of self-insurance reserves.

During the first quarter of 1997, the Company spent $67 million to finance capital expenditures including a total of $38 million on the construction of a new medical complex (including a 149-bed acute care facility) in Summerlin, Nevada and a new 130-bed replacement facility in Edinburg, Texas. These facilities are scheduled to open during the third and fourth quarters of 1997. The Company also reduced outstanding debt by $14 million.

Subsequent to June 30, 1997, the Company entered into a new revolving credit agreement. The new agreement, which matures in July 2002, provides for up to $300 million of borrowing capacity. During the term of this agreement, the Company has the option to petition the banks to increase the borrowing capacity to $400 million. The agreement provides for interest at the Company's option at the prime rate, certificate of deposit plus 3/8% to 5/8%, Euro-dollar plus 1/4% to 1/2% or money market. A facility fee ranging from 1/8% to 3/8% is required on the total commitment. As of June 30, 1997, the Company had $275 million of unused borrowing capacity available under the terms of its new revolving credit and existing commercial paper facilities.

PART II. OTHER INFORMATION

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The following information relates to matters submitted to the stockholders of Universal Health Services, Inc. (the "Company") at the Annual Meeting of Stockholders held on May 21, 1997.

(b) Not applicable.

(c) At the meeting the following proposals, as described in the proxy statement delivered to all the Company's stockholders were approved by the votes indicated:

Adoption of the Amendment to the Company's Restated Certificate of Incorporation

Votes cast in favor	25,334,848
Votes cast against	137,813
Votes abstained	2,722
Broker non-votes	0

Election by Class A & Class C stockholders of Class I Directors, Martin Meyerson and John H. Herrell:

	Martin Meyerson	John H. Herrell
Votes cast in favor	2,263,229	2,263,229
Votes withheld	0	0

(d) Not applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

3.1 Company's Restated Certificate of Incorporation and Amendments thereto.

10.1 Credit agreement dated as of July 8, 1997 among Universal Health Services, Inc., various banks and Morgan Guaranty Trust Company of New York, as agent.

10.2 Agreement of Limited Partnership of District Hospital Partners, L.P. (a District of Columbia Limited Partnership) by and among UHS of D.C., Inc. and The George Washington University.

10.3 Contribution Agreement between The George Washington University (a congressionally chartered institution in the District of Columbia) and District Hospital Partners, L.P. (a District of Columbia limited partnership).

27. Financial Data Schedule

(b) Reports on Form 8-K

None

11. Statement re computation of per share earnings is set forth on Page six in Note 2 of the Notes to Condensed Consolidated Financial Statements.

All other items of this Report are inapplicable.

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Universal Health Services, Inc.
(Registrant)

Date: August 12, 1997

/s/ Kirk E. Gorman

Kirk E. Gorman, Senior Vice President and
Chief Financial Officer

(Principal Financial Officer and
Duly Authorized Officer).

EXHIBIT 3.1

CERTIFICATE OF AMENDMENT

OF

RESTATED CERTIFICATE OF INCORPORATION OF

UNIVERSAL HEALTH SERVICES, INC.

Universal Health Services, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Company"), does hereby certify:

FIRST: That the board of directors of the Company, acting by written consent without a meeting pursuant to Section 141(f) of the General Corporation Law of the State of Delaware, adopted a resolution proposing and declaring advisable the following amendment to the Restated Certificate of Incorporation of said corporation:

RESOLVED, that the Restated Certificate of Incorporation be amended by deleting in its entirety the Article thereof numbered "FOURTH" and substituting therefor the following:

FOURTH: The total number of shares of all classes of stock which the Company shall have authority to issue is 68,200,000 shares, consisting of 12,000,000 shares of Class A Common Stock, par value $.01 per share (the "Class A Common Stock"), 50,000,000 shares of Class B Common Stock, par value $.01 per share (the "Class B Common Stock"), 1,200,000 shares of Class C Common Stock par value $.01 per share (the "Class C Common Stock") and 5,000,000 shares of Class D Common Stock, par value $.01 per share (the "Class D Common Stock"). As used in this Restated Certificate of Incorporation the term "Common Stock" means collectively the Class A, Class B, Class C and Class D Common Stock.

The following is a statement of the designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, in respect of each class of stock of the Company:

Except as provided in this Article FOURTH, the Class A, B, C and D Common Stock shall have the same rights and privileges and shall rank equally, share ratably and be identical in all respects as to all matters.

Part 1. Dividends, Combinations, and Subdivisions. (a) Holders of each class of Common Stock shall be entitled to receive such dividends, payable in cash or otherwise, as may be declared thereon by the Board of Directors from time to time out of assets or funds of the Company legally available therefor, provided that no dividend may be declared and paid to holders of any class of Common Stock unless at the same time the Board of Directors shall also declare and pay to the holders of all other classes of Common Stock a per share dividend in an identical amount.

(b) After the initial distribution of the Class C and Class D Common Stock, in the event that a dividend payable in common stock is declared on any class of Common Stock, the Board of Directors shall also declare a dividend on each of the other classes of Common Stock payable in the class of common stock to which it relates equal on a per share basis.

Part 2. Conversions. (a) Each share of Class A, Class C and Class D Common Stock may at any time be converted into one fully paid and nonassessable share of Class B Common Stock. Such right shall be exercised by the surrender of the certificate representing such shares of Class A, Class C or Class D Common Stock to be converted to the Company at any time during normal business hours at the principal executive offices of the Company, or if an agent for the registration of transfer of shares of Class A, Class C or Class D Common Stock is then duly appointed and acting (said agent being hereinafter called the "Transfer Agent") then at the office of the Transfer Agent, accompanied by a written notice of the election by the holder thereof to convert and (if so required by the Company or the Transfer Agent) by instruments of transfer, in form satisfactory to the Company and to the Transfer Agent, duly executed by such holder or his duly authorized attorney, and transfer tax stamps or funds therefor, if required pursuant to subparagraph (f) below.

(b) As promptly as practicable after the surrender for conversion of a certificate representing shares of Class A, Class C or Class D Common Stock in the manner provided in subparagraph (a) above and the payment in cash of any amount required by the provisions of subparagraphs (a) and (f) of this Part 2, the Company will deliver or cause to be delivered at the office of the Transfer Agent to or upon the written order of the holder of such certificate, a certificate or certificates representing the number of full shares of Class B Common Stock, issuable upon such conversion, issued in such name or names as such holder may direct. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of the surrender of the certificate representing shares of Class A, Class C and Class D Common Stock, and all rights of the holder of such shares as such holder shall cease at such time and the person or persons in whose name or names the certificate or certificates representing the shares of Class B are Common Stock to be issued shall be treated for all purposes as having become the record holder or holders of such shares of Class B Common Stock at such time; provided, however, that any such surrends and payment on any date when the stock transfer books of the Company shall be closed shall constitute the person or persons in whose name or names the certificate or certificates representing shares of Class B Common Stock are to be issued as the record holder or holders thereof for all purposes immediately prior to the close of business on the next succeeding day on which such stock transfer books are open.

(c) No adjustments in respect of dividends shall be made upon the conversion of any share of Class A, Class C or Class D Common Stock, provided, however, that if a share shall be converted subsequent to the record date for the payment of a dividend or other distribution on shares of Class A, Class C or Class D Common Stock but prior to such payment, the registered holder of such share at the close of business on such record date shall be entitled to receive the dividend or other distribution payable on such share on the date set for payment of such dividend or other distribution notwithstanding the conversion thereof or the Company's default in payment of the dividend due on such date.

(d) If the Company in any manner subdivides (by stock split or otherwise) or combines (by reverse stock split or otherwise) the outstanding shares of one class of Common Stock, the outstanding shares of the other classes of Common Stock will be proportionately subdivided or combined.

(e) The Company covenants that it will a all times reserve and keep available solely for the purpose of issuance upon conversion of the outstanding shares of Class A, Class C and Class D Common Stock, such number of shares of Class B Common Stock, as shall be issuable upon the conversion of all such outstanding shares, provided, that nothing contained herein shall be construed to preclude the Company from satisfying its obligations in respect of the conversion of the outstanding shares of Class A, Class C and Class D Common Stock by delivery of purchased shares of Class B Common Stock, which are held in the treasury of the Company. The Company covenants that if any shares of Class B Common Stock required to be reserved for purposes of conversion hereunder require registration with or approval of any governmental authority under any federal or state law before such shares of Class B Common Stock may be issued upon conversion, the Company will cause such shares to be duly registered or approved, as the case may be. The Company covenants that all shares of Class B Common Stock which shall be issued upon conversion of the shares of Class A, Class C and Class D Common Stock, will, upon issue, be fully paid and non-assessable and not subject to any preemptive rights.

(f) The issuance of certificates for shares of Class B Common Stock upon conversion of shares of Class A, Class C and Class D Common Stock, shall be made without charge for any stamp or other similar tax in respect of such issuance. However, if any such certificate is to be issued in a name other than that of the holder of the share or shares of Class A, Class C or Class D Common Stock converted, the person

or persons requesting the issuance thereof shall pay to the Company the amount of any tax which may be payable in respect of any transfer involved in such issuance or shall establish to the satisfaction of the Company that such tax has been paid.

Part 3. Registration of Transfer. The Company will keep at its principal office (or such other place as the Company reasonably designates) a register for the registration of shares of Common Stock. Upon the surrender of any certificate representing shares of any class of Common Stock at such place, the Company will, at the request of the record holder of such certificate, execute and deliver (at the Company's expense) a new certificate or certificates in exchange therefor representing in the aggregate the number of shares of such class represented by the surrendered certificate (and the Company forthwith will cancel such surrendered certificate). Each such new certificate, subject to the restrictions set forth in Part 6 of this Article Fourth, will be registered in such name and will represent such number of shares of such class as is requested by the holder of the surrendered certificate and will be substantially identical in form to the surrendered certificate.

Part 4. Replacement. (a) Upon receipt of evidence reasonably satisfactory to the Company (an affidavit of the registered holder, without bond, will be satisfactory) of the ownership and the loss, theft, destruction or mutilation of any certificate evidencing one or more shares of any class of Common Stock and, in the case of any such loss, theft or destruction, upon receipt of indemnity reasonably satisfactory to the Company (provided that if the holder is a financial institution, with net assets in excess of $5 million, its own agreement of indemnity will be satisfactory), or, in the case of any such mutilation, upon surrender of such certificate, the Company will (at its expense) execute and deliver in lieu of such certificate a new certificate of like kind representing the number of shares of such class represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate.

(b) The term "outstanding" when used in this Article FOURTH with reference to the shares of any class of Common Stock as of any particular time will not include any such shares represented by any certificate in lieu of which a new certificate has been executed and delivered by the Company in accordance with Part 3 or this Part 4, but will include only those shares represented by such new certificate.

Part 5. Voting Rights. Except as expressly provided herein, at every meeting of stockholders of the Company, every holder of Class A Common Stock shall be entitled to one common stock vote in person or by proxy for each share of Class A Common Stock standing in his name on the transfer books of the Company; every holder of Class B Common Stock shall be entitled to one-tenth of a common stock vote in person or by proxy as each share of Class B Common Stock standing in his name on the transfer books of the Company; every holder of Class C Common Stock shall be entitled to one hundred common stock votes in person or by proxy for each share of Class C Common Stock standing in his name on the transfer books of the Company; provided the holder of Class C Common Stock holds a number of shares of Class A Common Stock equal to ten times the number of shares of Class C Common Stock that holder holds; and every holder of class D Common Stock shall be entitled to ten common stock votes in person or by proxy for each share of Class D Common Stock standing in his name on the transfer books of the Company; provided the holder of Class D Common Stock holds a number of shares of Class B Common Stock equal to ten times the number of shares of Class D Common Stock that holder holds. In the event a beneficial owner of Class C or Class D Common Stock holds a number of shares of Class A or Class B Common Stock, respectively, less than ten times the number of shares of Class C or Class D Common Stock that beneficial owner holds, then that holder will be entitled only to one common stock vote for every share of Class C Common Stock, or one-tenth of a common stock vote for every share of Class D Common Stock, which that owner holds in excess of one-tenth the number of shares of Class A or Class B Common Stock, respectively, held by that owner. The Board of Directors of the Company shall have the right, but not the obligation, to require a holder of Class C or Class D Common Stock to furnish such documentation as is necessary to prove that such holder meets the requirements of the two immediately preceding sentences.

(i) With respect to the election of directors, the holders of Class B and Class D Common Stock, voting together as a separate class, with each share having one common stock vote, shall be entitled to elect that number of directors which constitutes 20% of the total membership of the Company's Board of Directors and if such 20% is not a whole number, then the holders of Class B and Class D Common Stock will be entitled to elect the nearest whole number of directors which constitutes 20% of such membership, provided, that, except as contemplated by subparagraph (vi) hereof, in no event shall such number less than one. Holders of Class A and Class C Common Stock, voting together as a separate class, with each share having one common stock vote, will be entitled to elect the remaining directors.

(a) Nominations for the election of directors may be made by the Board of Directors or by any stockholder entitled to vote for the election of directors. Nominations made by stockholders shall be made by notice in writing, delivered or mailed by first class United States mail, postage prepaid, to the Secretary of the Company not less than 20 days prior to any meeting of the stockholders called for the election of directors; provided, however, that if less than 30 days' notice of the meeting is given to stockholders, such written notice shall be delivered or mailed, as prescribed, to the Secretary of the Company not later than the close of the tenth day following the day on which notice of the meeting was mailed to stockholders.

(b) Each notice under subsection (a) shall set forth: (i) the name, age, business address and, if known, residence address of each nominee proposed in such notice, (ii) the principal occupation or employment of each such nominee; and (iii) the number of shares of stock of the Company which are beneficially owned by each such nominee.

(c) The Chairman of the meeting may, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

(ii) The holders of Class B and Class D Common Stock will be entitled to vote together as a separate class, with each share having one common stock vote, on the removal, with cause (as defined in Article SIXTH, Part 2, subparagraph (v)), of any director elected by the holders of Class B and Class D Common Stock and the holders of Class A and Class C Common Stock will be entitled to vote together as a separate class with each share having one common stock vote, on the removal, with cause (as so defined), of any director elected by the holders of Class A and Class C Common Stock.

(iii) The holders of Class B and Class D Common Stock shall be entitled to vote together as a separate class on such other matters as may be required by law to be submitted to such holders.

(iv) The holders of Class B and Class D Common Stock shall in all matters not referred to in (i), (ii) and (iii) above vote together with the holders of Class A and Class C Common Stock as a single class, provided that, except as set forth in the first paragraph of this Part 5, the holders of Class A Common Stock shall have one common stock vote for each share; the holders of Class B Common Stock shall have one-tenth of a common stock vote for each share; the holders of Class C Common Stock shall have 100 common stock votes for each share; and the holders of Class D Common Stock shall have ten common stock votes for each share.

(v) Any vacancy in the office of a director may be filled by a vote of holders of the classes entitled to elect said director voting together as a separate class and, in the absence of a stockholder vote, in the case of a vacancy in the office of a director elected by a particular class, such vacancy may be filled by the remaining directors. Any directors elected by the board of directors to fill a vacancy shall serve until the expiration of the term of the director whose position was filled and until his successor has been chosen and has qualified. The Board of Directors may increase the number of directors and any vacancy so created may be filled by the Board of Directors, provided that unless the conditions set forth in (vi) exist in respect of the next previous Annual Meeting of Stockholders, the Board of Directors may be so enlarged by the Board of Directors only to the extent that 20% of the enlarged Board of Directors, rounded to the nearest whole number of directors which constitutes 20% of such membership consists of directors elected by the holders of the Class B and Class D Common Stock or by persons appointed to fill vacancies created by the death, resignation or removal or persons elected by the holders of the Class B and Class D Common Stock.

(vi) The Class B and Class D Common Stock will not have the rights to elect directors set forth in (i) or (v) above, if on the date for taking a record for any stockholder meeting at which directors are to be elected, the number of issued and outstanding shares of Class B and Class D Common Stock (exclusive of any shares held in the Company's treasury) is less than 10% of the aggregate number of issued and outstanding shares of all the common stock (exclusive of shares held in the Company's treasury). In such case all directors to be elected at such meeting shall be elected by holders of Class A, Class B, Class C and Class D Common Stock

voting together as a single class, provided that with respect to said election the holders of Class A Common Stock shall have one common stock vote for each share; the holders of Class B Common Stock shall have one-tenth of a common stock vote for each share; the holders of Class C Common Stock shall have 100 common stock votes for each share; and the holders of Class D Common Stock shall have ten common stock votes for each share.

Part 6. TRANSFER. (a) No person holding shares of Class C or Class D Common Stock (a "Class Holder") may transfer, and the Company and the Transfer Agent shall not register the transfer of, such shares of Class C or Class D Common Stock, whether by sale, assignment, gift, devise, bequest, appointment or otherwise. Any purported transfer of shares of Class C or Class D Common Stock shall be null and void and of no effect and the purported transfer by a Class Holder will result in the immediate and automatic conversion into shares of Class B Common Stock of those shares of Class C and Class D Common Stock purporting to be transferred. The purported transferee shall have no rights as a stockholder of the Company and no other rights against, or with respect to, the Company except the right to receive shares of Class B Common Stock upon the immediate and automatic conversion into shares of Class B Common Stock of the shares of Class C or Class D Common Stock purporting to be transferred. Upon the death of any Class C or Class D Holder who is a natural person, or the liquidation, dissolution or winding up of the business or affairs of any corporation, partnership or trust, the shares of Class C and Class D Common Stock held by such person shall immediately and automatically convert into an equal number of shares of Class B Common Stock.

(b) Shares of Class C and Class D Common Stock shall be registered in the name(s) of the beneficial owner(s) thereof (as hereafter defined) and not in "street" or "nominee" names; provided, however, certificates representing shares of Class C and Class D Common Stock issued as a stock dividend on the Company's then outstanding common stock may be registered in the same name and manner as the certificates representing the shares of Class A and Class B Common Stock with respect to which the shares of Class C and Class D Common Stock are issued. For the purposes of this Part 6, the term "beneficial owner(s)" of any shares of Class C or Class D Common Stock shall mean the person or persons who possess the power to dispose, or to direct the disposition of, such shares. Any shares of Class C or Class D Common Stock registered in "street" or "nominee" name may be transferred to the beneficial owner of such shares on the record date for such

stock dividend, upon proof satisfactory to the Company and the Transfer Agent that such person was in fact the beneficial owner of such shares on the record date for such stock dividend.

(c) Notwithstanding anything to the contrary set forth herein, any Class Holder may pledge such holder's shares of Class C or Class D Common Stock to a pledgee pursuant to a bona fide pledge of such shares as collateral security for indebtedness due to the pledgee, provided that such shares shall not be transferred to, or registered in the name of, the pledgee and shall remain subject to the provisions of this Part 6. In the event of foreclosure or other similar action by the pledgee, such pledged shares of Class C or Class D Common Stock may not be transferred to the pledgee and may only be converted into shares of Class B Common Stock.

(d) The Company shall note on the certificates representing the shares of Class C and Class D Common Stock the restrictions on transfer and registration of transfer imposed by this Part 6.

(e) For purposes of this Part 6:

(i) Each joint owner of shares of Class C and Class D Common Stock shall be considered a holder of Class C and Class D Common Stock, respectively.

(ii) A minor for whom shares of Class C or Class D Common Stock are held pursuant to a Uniform Gifts to Minors Act or similar law shall be considered a holder of Class C and Class D Common Stock, respectively.

(iii) Unless otherwise specified, the term "person" includes a natural person, corporation, partnership, unincorporated association, firm, joint venture, trust or other entity.

Part 7. Distribution of Assets. (a) In the event the Company shall be liquidated, dissolved or wound up, whether voluntarily or involuntarily, the holders of the Class A, Class B, Class C and Class D Common Stock shall be entitled to share ratably as a single class in the remaining net assets of the Company, that is, an equal amount of net assets for each share of Class A, Class B, Class C and Class D Common Stock. A merger or consolidation of the Company with or into any other corporation or a sale or conveyance of all or any part of the assets of the Company (which shall not in fact result in the liquidation of the Company and the distribution of assets to stockholders) shall not be deemed to be a voluntary or involuntary liquidation or dissolution or winding up of the Company within the meaning of this Part 7.

Part 8. Authorized Shares; Fractional Shares. (a) The number of authorized shares of any class of Common Stock may not be increased unless approved by the holders of a majority of the common stock votes attributable to then outstanding shares of Common Stock entitled to vote, voting as a single class.

(b) No fractional shares of Class B Common Stock shall be issued upon conversion of shares of Class A, Class C and Class D Common Stock. In lieu of fractional shares, the Transfer Agent shall pay an amount in cash equal to the closing market price of the shares of Class B Common Stock on the conversion date multiplied by the fraction of a share of Class B Common Stock that would otherwise be issuable.

Part 9. Business Combinations. 9A. Definitions. (i) The term "business combination" as used in this Part 9 shall mean:

(a) any merger or consolidation of the Company with or into any other individual, corporation, partnership or other person or entity, other than a merger or consolidation pursuant to which the Company is the continuing corporation and the result of which is not a sale, transfer or other disposition of, or a modification of the form of, ownership of the Company;

(b) any sale, lease, exchange, transfer or other disposition, including without limitation, a mortgage or any other security device, of all or any substantial part of the assets of the Company (including without limitation any voting securities of a Subsidiary) or of a Subsidiary (which assets of the Subsidiary constitute a substantial part of the assets of the Company) to any other individual, corporation, partnership or other person or entity; or

(c) any agreement, contract or other arrangement providing for any of the transactions described in this definition of business combination.

(ii) The term "related person business combination" as used in this Part 9 shall mean:

(a) any merger or consolidation of the Company with or into a related person;

(b) any sale, lease, exchange, transfer or other disposition, including without limitation, a mortgage or any other

security device, of all or any substantial part of the assets of the Company (including without limitation any voting securities of a subsidiary) or of a Subsidiary, to a related person;

(c) any merger or consolidation of a related person with or into the Company or a Subsidiary of the Company;

(d) any sale, lease, exchange, transfer or other disposition of all or any substantial part of the assets of a related person to the Company or a Subsidiary of the Company;

(e) the issuance of any securities of the Company or a Subsidiary of the Company to a related person (other than to full time employees of the Company);

(f) acquisition by the Company or a Subsidiary of the Company of any securities of a related person;

(g) any reclassification of Common Stock of the Company, or any recapitalization involving Common Stock of the Company, consummated within five years after a related person becomes a related person; or

(h) any agreement, contract or other arrangement providing for any of the transactions described in this definition of related person business combination.

(iii) The term "related person" as used in this Part 9 shall mean and include any individual, corporation, partnership or other person or entity which, together with their "affiliates" and "associates" (defined below) "beneficially" owns (as this term is defined in Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934), in the aggregate, 5% or more of the outstanding shares of any class of Common Stock of the Company, and any "affiliate" or "associate" (as those terms are defined in Rule 12b-2 under the Securities Exchange Act of 1934) of any such individual, corporation, partnership or other person or entity and shall include all persons or entities acting in concert with such related person. Notwithstanding the foregoing, for the purposes of this definition, any shares of Common Stock of the Company which any related person has the right to acquire at any time pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise, shall be deemed beneficially owned by such related person.

(iv) The term "substantial part" shall mean more than 10% of the total assets of the company in question,

taken as a whole including any subsidiaries, as of the end of its most recent fiscal year ended prior to the time the determination is being made.

(v) The term "Subsidiary" as used in this Part 9 means any corporation a majority of the voting stock of which is, at the time as of which any determination is being made, owned by the Company either directly or through one or more Subsidiaries.

9B. Stockholder's Vote. A proposed business combination or related person business combination shall be approved in the manner contemplated by law, but no such business combination shall be approved if any two or more directors of the Company then in office shall have not voted in favor of such proposed business combination or related person business combination unless such business combination or related person business combination after having been approved by the Board of Directors in the manner contemplated by law shall have been approved by the affirmative vote of not less than 85% of the outstanding Common Stock votes of the Company.

9C. Board of Directors' Vote. It shall be a proper corporate purpose reasonably calculated to benefit stockholders for the Board of Directors to base the response of the Company to any proposal for a business combination or related person business combination on the Board of Directors' evaluation of what is in the best interests of the Company; and the Board of Directors, in evaluating what is in the best interests of the Company may consider:

(i) The best interest of the stockholders: for this purpose the Board of Directors shall consider, among other factors, not only the consideration being offered in the business combination or related person business combination proposal in relation to the then current market price, but also in relation to the then current value of the Company in a freely negotiated transaction and in relation to the Board of Directors' then estimate of the future value of the Company as an independent entity; and

(ii) Such other factors as the Board of Directors determines to be relevant, including, among other factors, the social, legal and economic effects upon the employees, patients and business of the Company or any of its Subsidiaries, and the community in which the Company, or any of its Subsidiaries, is located or operates.

SECOND: That thereafter, pursuant to a vote taken at a meeting of the stockholders of the Company held on November 20, 1985, a majority of the common stock votes of the Company ratified the amendment referenced herein.

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provision of Sections 211 and 242 of the General Corporation Law of Delaware, as amended.

FOURTH: That the capital of said corporation will not be reduced under or by reason of said amendment.

IN WITNESS WHEREOF, Universal Health Services, Inc. has caused its corporate seal to be hereunto affixed and this certificate to be signed by Alan B. Miller, its President, and Robert M. Dubbs, its Secretary, this ____ day of November, 1985.

By: /s/ Alan B. Miller
_____
Alan B. Miller
President

CORPORATE SEAL
ATTEST

By: /s/ Robert M. Dubbs
_____
Robert M. Dubbs
Secretary

EXHIBIT 10.1

CONFORMED COPY

$300,000,000

CREDIT AGREEMENT

dated as of

July 8, 1997

among

UNIVERSAL HEALTH SERVICES, INC.

THE BANKS LISTED HEREIN

and

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,
as Agent

J.P. Morgan Securities Inc.,
Arranger

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CREDIT AGREEMENT

AGREEMENT dated as of July 8, 1997 among UNIVERSAL HEALTH SERVICES, INC., the BANKS listed on the signature pages hereof and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Agent.

The parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

SECTION 1.01. Definitions. The following terms, as used herein, have the following meanings:

"ABSOLUTE RATE AUCTION" means a solicitation of Money Market Quotes setting forth Money Market Absolute Rates pursuant to Section 2.03.

"ACCEPTABLE INSURER" means an insurance company (i) having an A.M. Best rating of "A" or better and being in a financial size category of "X" or larger (as such category is defined as of the date hereof) or (ii) otherwise reasonably acceptable to the Required Banks.

"ADDITIONAL BANK" has the meaning set forth in Section 2.19.

"ADJUSTED CD RATE" has the meaning set forth in Section 2.07(b).

"ADMINISTRATIVE QUESTIONNAIRE" means, with respect to each Bank, an administrative questionnaire in the form prepared by the Agent and submitted to the Agent (with a copy to the Borrower) duly completed by such Bank.

"AGENT" means Morgan Guaranty Trust Company of New York in its capacity as agent for the Banks under the Loan Documents, and its successors in such capacity.

"APPLICABLE LENDING OFFICE" means, with respect to any Bank, (i) in the case of its Domestic Loans, its Domestic Lending Office, (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office, (iii) in the case of its Money

Market Loans, its Money Market Lending Office and (iv) in the case of its Swingline Loans, its Swingline Lending Office.

"ASSESSMENT RATE" has the meaning set forth in Section 2.07(b).

"ASSIGNEE" has the meaning set forth in Section 9.06(c).

"BANK" means each bank listed on the signature pages hereof, each Additional Bank or Assignee which becomes a Bank pursuant to Section 2.19 or 9.06(c), and their respective successors.

"BASE RATE" means, for any day, a rate per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of 1/2 of 1% plus the Federal Funds Rate for such day.

"BASE RATE LOAN" means (i) a Syndicated Loan which bears interest at the Base Rate pursuant to the applicable Notice of Committed Borrowing or Notice of Interest Rate Election or the provisions of Article 8 or (ii) an overdue amount which was a Base Rate Loan immediately before it became overdue.

"BENEFIT ARRANGEMENT" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

"BORROWER" means Universal Health Services, Inc., a Delaware corporation, and its successors.

"BORROWER'S 1996 FORM 10-K" means the Borrower's annual report on Form 10-K for 1996, as filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

"BORROWER'S LATEST FORM 10-Q" means the Borrower's quarterly report on Form 10-Q for the quarter ended March 31, 1997, as filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

"BORROWING" has the meaning set forth in Section 1.03.

"CD BASE RATE" has the meaning set forth in Section 2.07(b).

"CD LOAN" means (i) a Syndicated Loan which bears interest at a CD Rate pursuant to the applicable Notice of Committed Borrowing or Notice of

Interest Rate election or (ii) an overdue amount which was a CD Loan immediately before it became overdue.

"CD MARGIN" means a rate per annum determined in accordance with the Pricing Schedule.

"CD RATE" means a rate of interest determined pursuant to Section 2.07(b) on the basis of an Adjusted CD Rate.

"CD REFERENCE BANKS" means The Chase Manhattan Bank, Bank of America National Trust and Savings Association and Morgan Guaranty Trust Company of New York.

"COMMITMENT" means (i) with respect to each Bank, the amount of such Bank's Commitment, as such amount is set forth opposite the name of such Bank on the signature pages hereof, (ii) with respect to any Additional Bank, the amount of the Commitment assumed by it pursuant to Section 2.19 and (iii) with respect to any Assignee, the amount of the transferor Bank's Commitment assigned to it pursuant to Section 9.06(c), in each case as such amount may be changed from time to time pursuant to Section 2.09, 2.11, 2.19 or 9.06(c); provided that, if the context so requires, the term "Commitment" means the obligation of a Bank to extend credit up to such amount to the Borrower hereunder.

"COMMITTED LOAN" means a Syndicated Loan or a Swingline Loan.

"CONSOLIDATED DEBT" means at any date the Debt of the Borrower and its Consolidated Subsidiaries, determined on a consolidated basis as of such date; provided that from December 1 of any year to but not including June 30 of the following year Consolidated Debt shall not include amounts borrowed to fund the Voluntary Employment Benefit Association not exceeding the aggregate amount of employee benefits prepaid by the Borrower and its Consolidated Subsidiaries through payments to the Voluntary Employment Benefit Association during such period.

"CONSOLIDATED EBITDA" means, for any period, the sum of (i) Consolidated Net Income for such period plus (ii) to the extent deducted in the determination thereof, Consolidated Interest Expense, depreciation and amortization expense and provision for income taxes plus (or minus) (iii) the amount of any material nonrecurring items of loss (or gain), adjusted to eliminate the effect of any such item on the provision for income taxes for such period.

"CONSOLIDATED EBITDAR" means, for any period, Consolidated EBITDA for such period plus, to the extent deducted in determining Consolidated EBITDA for such period, Consolidated Rental Expense for such period.

"CONSOLIDATED FINANCE LIABILITIES" means, at any date, the sum of (i) Consolidated Debt at such date plus (ii) eight times Consolidated Rental Expense for the period of four consecutive fiscal quarters most recently ended on or prior to such date.

"CONSOLIDATED INTEREST EXPENSE" means, for any period, the interest expense (net of interest income) of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis for such period.

"CONSOLIDATED NET INCOME" for any period means the consolidated net income of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis for such period.

"CONSOLIDATED NET WORTH" means at any date the consolidated stockholders' equity of the Borrower and its Consolidated Subsidiaries, determined as of such date.

"CONSOLIDATED NET TANGIBLE ASSETS" means, at any date, the Net Tangible Assets of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis as of such date.

"CONSOLIDATED RENTAL EXPENSE" means, for any period, the lease and rental expense of the Borrower and its Consolidated Subsidiaries under all leases (other than capital leases), determined on a consolidated basis for such period.

"CONSOLIDATED SUBSIDIARY" means at any date any Subsidiary or other entity the accounts of which would be consolidated with those of the Borrower in its consolidated financial statements if such statements were prepared as of such date.

"DEBT" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee which are capitalized in accordance with generally accepted accounting principles, (v) all non-contingent obligations (and, for purposes of Section 5.14 and the definitions of Material Debt and

Material Financial Obligations, all contingent obligations) of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, (vi) all Debt secured by a Lien on any asset of such Person, whether or not such Debt is otherwise an obligation of such Person, and (vii) all Debt of others Guaranteed by such Person.

"DEFAULT" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"DERIVATIVES OBLIGATIONS" of any Person means all obligations of such Person in respect of any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions) or any combination of the foregoing transactions.

"DOMESTIC BUSINESS DAY" means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized by law to close.

"DOMESTIC LENDING OFFICE" means, as to each Bank, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Domestic Lending Office) or such other office as such Bank may hereafter designate as its Domestic Lending Office by notice to the Borrower and the Agent; provided that any Bank may so designate separate Domestic Lending Offices for its Base Rate Loans, on the one hand, and its CD Loans, on the other hand, in which case all references herein to the Domestic Lending Office of such Bank shall be deemed to refer to either or both of such offices, as the context may require.

"DOMESTIC LOANS" means CD Loans or Base Rate Loans or both.

"DOMESTIC RESERVE PERCENTAGE" has the meaning set forth in Section 2.07(b).

"EFFECTIVE DATE" means the date this Agreement becomes effective in accordance with Section 3.01.

"ENVIRONMENTAL LAWS" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to the environment, the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, Hazardous Substances or wastes or the clean-up or other remediation thereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"ERISA GROUP" means the Borrower, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any Subsidiary, are treated as a single employer under Section 414 of the Internal Revenue Code.

"EURO-DOLLAR BUSINESS DAY" means any Domestic Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in London.

"EURO-DOLLAR LENDING OFFICE" means, as to each Bank, its office, branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or affiliate of such Bank as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Agent.

"EURO-DOLLAR LOAN" means (i) a Syndicated Loan which bears interest at a Euro-Dollar Rate pursuant to the applicable Notice of Committed Borrowing or Notice of Interest Rate Election or (ii) an overdue amount which was a Euro-Dollar Loan immediately before it became overdue.

"EURO-DOLLAR MARGIN" means a rate per annum determined in accordance with the Pricing Schedule.

"EURO-DOLLAR REFERENCE BANKS" means the principal London offices of The Chase Manhattan Bank, Bank of America National Trust and Savings Association and Morgan Guaranty Trust Company of New York.

"EURO-DOLLAR RESERVE PERCENTAGE" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to the United States residents).

"EVENT OF DEFAULT" has the meaning set forth in Section 6.01.

"EVERGREEN LETTER OF CREDIT" means a Letter of Credit that is automatically extended unless the Issuing Bank gives notice to the beneficiary thereof stating that such Letter of Credit will not be extended.

"EXISTING CREDIT AGREEMENT" means the Credit Agreement dated as of August 2, 1994 as amended as of April 24, 1995 and May 10, 1996 among the Borrower, the banks parties thereto and Morgan Guaranty Trust Company of New York, as agent, as amended to the Effective Date.

"FEDERAL FUNDS RATE" means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day, provided that (i) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day, and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to Morgan Guaranty Trust Company of New York on such day on such transactions as determined by the Agent.

"FIXED CHARGE COVERAGE RATIO" means, at any date, the ratio of Consolidated EBITDAR to Fixed Charges for the period of four consecutive fiscal quarters most recently ended on or prior to such date.

"FIXED CHARGES" means, for any period, the sum of Consolidated Interest Expense and Consolidated Rental Expense for such period.

"FIXED RATE BORROWING" means a CD Borrowing or a Euro-Dollar Borrowing.

"FIXED RATE LOANS" means CD Loans, Euro-Dollar Loans, Swingline Loans or Money Market Loans (excluding Swingline Loans or Money Market LIBOR Loans bearing interest at the Base Rate) or any combination of the foregoing.

"GROUPS OF LOANS" means at any time a group of Loans consisting of (i) all Loans which are Base Rate Loans at such time, (ii) all Euro-Dollar Loans having the same Interest Period at such time or (iii) all CD Loans having the same Interest Period at such time, provided that, if a Committed Loan of any particular Bank is converted to or made as a Base Rate Loan pursuant to Article 8, such Loan shall be included in the same Group or Groups of Loans from time to time as it would have been if it had not been so converted or made.

"GUARANTEE" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term "GUARANTEE" used as a verb has a corresponding meaning.

"GUARANTY AGREEMENT" means the Guaranty Agreement, dated as of the date hereof between the Subsidiary Guarantors and the Agent, such Guaranty Agreement to be substantially in the form of Exhibit H hereto, and as the same may from time to time be amended, supplemented or otherwise modified.

"HAZARDOUS SUBSTANCES" means any toxic, radioactive, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

"INDEMNITEE" has the meaning set forth in Section 9.03(b).

"INTEREST PERIOD" means: (1) with respect to each Euro-Dollar Loan, the period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in the applicable Notice of Interest Rate Election and ending one, two, three or six months thereafter, as the Borrower may elect in the applicable notice, provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date;

(2) with respect to each CD Loan, the period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in the applicable Notice of Interest Rate election and ending 30, 60, 90 or 180 days thereafter, as the Borrower may elect in the applicable Notice of Borrowing; provided that:

(a) any Interest Period (other than an Interest Period determined pursuant to clause (b) below) which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day; and

(b) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date;

(3) with respect to each Swingline Loan, the period commencing on the date of borrowing specified in the applicable Notice of Borrowing and ending such number of days thereafter (but not more than 14 days) as the Borrower may elect in such notice; provided that:

(a) any Interest Period (other than an Interest Period determined pursuant to clause (b) below) which would otherwise end on a day which

is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day; and

(b) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date;

(4) with respect to each Money Market LIBOR Loan, the period commencing on the date of borrowing specified in the applicable Notice of Borrowing and ending such whole number of months thereafter as the Borrower may elect in accordance with Section 2.03; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall, subject to clause (c) below, be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date; and

(5) with respect to each Money Market Absolute Rate Loan, the period commencing on the date of borrowing specified in the applicable Notice of Borrowing and ending such number of days thereafter (but not less than 7 days) as the Borrower may elect in accordance with Section 2.03; provided that:

(a) any Interest Period (other than an Interest Period determined pursuant to clause (b) below) which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day; and

(b) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date;

"INTERNAL REVENUE CODE" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"ISSUING BANK" means NationsBank, N.A. and any other Bank that may agree to issue letters of credit hereunder, in each case as issuer of a Letter of Credit hereunder.

"LETTER OF CREDIT" means a letter of credit to be issued hereunder by the Issuing Bank in accordance with Section 2.16.

"LETTER OF CREDIT LIABILITIES" means, for any Bank and at any time, such Bank's ratable participation in the sum of (x) the amounts then owing by the Borrower in respect of amounts drawn under Letters of Credit and (y) the aggregate amount then available for drawing under all Letters of Credit.

"LEVERAGE RATIO" means, at any date, the ratio of (i) Consolidated Finance Liabilities at such date to (ii) the sum of such Consolidated Finance Liabilities plus Consolidated Net Worth at such date.

"LIBOR AUCTION" means a solicitation of Money Market Quotes setting forth Money Market Margins based on the London Interbank Offered Rate pursuant to Section 2.03.

"LIEN" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"LOAN" means a Committed Loan or a Money Market Loan and "LOANS" means Committed Loans or Money Market Loans or both.

"LOAN DOCUMENTS" means this Agreement, the Notes and the Guaranty Agreement.

"LONDON INTERBANK OFFERED RATE" has the meaning set forth in Section 2.07(c).

"MATERIAL DEBT" means Debt (other than the Notes) of the Borrower and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal exceeding $1,000,000.

"MATERIAL FINANCIAL OBLIGATION" means a principal or face amount of Debt and/or payment or collateralization obligations in respect of Derivatives Obligations of the Borrower and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, exceeding in the aggregate $1,000,000.

"MATERIAL PLAN" means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of $5,000,000.

"MONEY MARKET ABSOLUTE RATE" has the meaning set forth in Section 2.03(d).

"MONEY MARKET ABSOLUTE RATE LOAN" means a loan to be made by a Bank pursuant to an Absolute Rate Auction.

"MONEY MARKET LENDING OFFICE" means, as to each Bank, its Domestic Lending Office or such other office, branch or affiliate of such Bank as it may hereafter designate as its Money Market Lending Office by notice to the Borrower and the Agent; provided that any Bank may from time to time by notice to the Borrower and the Agent designate separate Money Market Lending Offices for its Money Market LIBOR Loans, on the one hand, and its Money Market Absolute Rate Loans, on the other hand, in which case all references herein to the Money Market Lending Office of such Bank will be deemed to refer to either or both of such offices, as the context may require.

"MONEY MARKET LIBOR LOAN" means a loan to be made by a Bank pursuant to a LIBOR Auction (including such a loan bearing interest at the Base Rate pursuant to Section 8.01).

"MONEY MARKET LOAN" means a Money Market LIBOR Loan or a Money Market Absolute Rate Loan.

"MONEY MARKET MARGIN" has the meaning set forth in Section 2.03(d)(ii)(C).

"MULTIEMPLOYER PLAN" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five-year period.

"NET TANGIBLE ASSETS" means, as to any Person or other business unit, its gross assets, net of depreciation and other proper reserves, less its goodwill and other intangible assets.

"NOTES" means promissory notes of the Borrower, substantially in the form of Exhibit A hereto, evidencing the obligation of the Borrower to repay the Loans, and "NOTE" means any one of such promissory notes issued hereunder.

"NOTICE OF BORROWING" means a Notice of Committed Borrowing (as defined in Section 2.03 or a Notice of Money Market Borrowing (as defined in Section 2.03(f).

"NOTICE OF INTEREST RATE ELECTION" has the meaning set forth in Section 2.10(b).

"NOTICE OF ISSUANCE" has the meaning set forth in Section 2.16(b).

"PARENT" means, with respect to any Bank, any Person controlling such Bank.

"PARTICIPANT" has the meaning set forth in Section 9.06(b).

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"PERSON" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"PLAN" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"PRICING SCHEDULE" means (i) Pricing Schedule I attached hereto, unless and until the Borrower shall have elected, by not less than five Domestic Business Days' notice to the Banks, that Pricing Schedule II attached hereto be the Pricing

Schedule and (ii) on and after the effective date of such notice, Pricing Schedule II attached hereto. Such election, if made, shall be irrevocable.

"PRIME RATE" means the rate of interest publicly announced by Morgan Guaranty Trust Company of New York in New York City from time to time as its Prime Rate.

"QUARTERLY DATE" means each March 31, June 30, September 30 and December 31.

"RECEIVABLES FINANCING" means a financing arrangement among the Borrower, certain Subsidiaries of the Borrower, including a wholly-owned special purpose Subsidiary of the Borrower and certain other parties pursuant to which Subsidiaries of the Borrower will sell substantially all of their accounts receivable from time to time to the special purpose Subsidiary of the Borrower which will, in turn, sell or pledge such receivables to certain investors for an aggregate purchase price outstanding not at any time in excess of $125,000,000.

"REFERENCE BANKS" means the CD Reference Banks or the Euro-Dollar Reference Banks, as the context may require, and "REFERENCE BANK" means any one of such Reference Banks.

"REGULATION U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"REQUIRED BANKS" means at any time Banks having at least 66 2/3% of the aggregate amount of the Commitments or, if the Commitments shall have been terminated, holding Notes evidencing at least 66 2/3% of the aggregate unpaid principal amount of the Loans.

"RESTRICTED PAYMENT" means (i) any dividend or other distribution on any shares of the Borrower's capital stock (except dividends payable solely in shares of its common stock) or (ii) any payment on account of the purchase, redemption, retirement or acquisition of (a) any shares of the Borrower's capital stock (except shares acquired upon the conversion thereof into shares of its common stock) or (b) any option, warrant or other right to acquire shares of the Borrower's capital stock.

"REVOLVING CREDIT PERIOD" means the period from and including the Effective Date to but excluding the Termination Date.

"SUBORDINATED DEBT" of any Person means all Debt which (i) by its terms is not required to be repaid, in whole or in part, before the Termination Date, (ii) bears interest at rates not greater than such Person shall reasonably determine to be the prevailing market rate, at the time such Subordinated Debt is issued, for interest on comparable subordinated debt issued by comparable issuers, (iii) is subordinated in right of payment to such Person's indebtedness, obligations and liabilities to the Banks under the Loan Documents pursuant to payment and subordination provisions satisfactory in form and substance to the Required Banks and (iv) is issued pursuant to loan documents having covenants and events of default that are satisfactory in form and substance to the Required Banks but that in no event are less favorable, including with respect to rights of acceleration, to the Borrower than the terms hereof.

"SUBSIDIARY" means, as to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person; unless otherwise specified, "SUBSIDIARY" means a Subsidiary of the Borrower. The term "SUBSIDIARY" shall include, without limitation, each partnership in which the Borrower or one of its Subsidiaries is a partner which operates surgical care centers or other health care facilities, except that none of (i) any such Person, (ii) UHS Receivables Corporation, a Delaware corporation and (iii) RCW of Edmond, Inc., an Oklahoma corporation shall be required to become a Subsidiary Guarantor.

"SUPPLEMENTAL INDENTURE" means the Supplemental Indenture to be entered into by the Borrower and PNC Bank, National Association, as trustee amending the Indenture dated as of July 15, 1995, between the Borrower and PNC Bank, National Association, as trustee.

"SUBSIDIARY GUARANTORS" means the Subsidiaries of the Borrower party to the Guaranty Agreement.

"SWINGLINE BANK" means Morgan Guaranty Trust Company of New York, and its successors.

"SWINGLINE LENDING OFFICE" means, as to the Swingline Bank, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Swingline Lending Office) or such other office as such Bank may hereafter designate as its Swingline Lending Office by notice to the Borrower and the Agent.

"SWINGLINE LOAN" means a loan made by the Swingline Bank pursuant to Section 2.01(b).

"SWINGLINE TAKEOUT LOAN" means a Base Rate Loan made pursuant to Section 2.18.

"SYNDICATED LOAN" means a Loan made by a Bank pursuant to Section 2.01(a); provided that, if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Interest Rate Election, the term "SYNDICATED LOAN" shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

"TERMINATION DATE" means July 8, 2002, or, if such day is not a Euro-Dollar Business Day, the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the Termination Date shall be the next preceding Euro-Dollar Business Day.

"UNFUNDED LIABILITIES" means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"UNITED STATES" means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

"UNREFUNDED SWINGLINE LOANS" has the meaning set forth in Section 2.18(b).

"WHOLLY-OWNED CONSOLIDATED SUBSIDIARY" means any Consolidated Subsidiary all of the shares of capital stock or other ownership interests of which (except directors' qualifying shares) are at the time directly or indirectly owned by the Borrower.

SECTION 1.02. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements

required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries delivered to the Banks; provided that, if the Borrower notifies the Agent that the Borrower wishes to amend any covenant in Article V to eliminate the effect of any change in generally accepted accounting principles on the operation of such covenant (or if the Agent notifies the Borrower that the Required Banks wish to amend Article V for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of generally accepted accounting principles in effect immediately before the relevant change in generally accepted accounting principles became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Banks.

SECTION 1.03. Types of Borrowings. The term "BORROWING" denotes the aggregation of Loans of one or more Banks to be made to a single Borrower pursuant to Article 2 on the same date, all of which Loans are of the same type (subject to Article 8) and, except in the case of Base Rate Loans, have the same initial Interest Period. Borrowings are classified for purposes of this Agreement either by reference to the pricing of Loans comprising such Borrowing (e.g., a "FIXED RATE BORROWING" is a Euro-Dollar Borrowing, a CD Borrowing, a Swingline Borrowing or a Money Market Borrowing (excluding any such Borrowing consisting of Swingline Loans or Money Market LIBOR Loans bearing interest at the Base Rate), and a "EURO-DOLLAR BORROWING" is a Borrowing comprised of Euro-Dollar Loans) or by reference to the provisions of Article 2 under which participation therein is determined (i.e., a "CONVENTIONAL BORROWING" is a Borrowing under Section 2.01(a) in which all Banks participate in proportion to their Commitments, while a "MONEY MARKET BORROWING" is a Borrowing under Section 2.03 in which the Bank participants are determined on the basis of their bids in accordance therewith).

ARTICLE 2

THE CREDITS

SECTION 2.01. Commitments to Lend. (a) Syndicated Loans. During the Revolving Credit Period each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make Loans to the Borrower from time to time in amounts such that the aggregate unpaid principal amount of Committed Loans by such Bank, together with its Letter of Credit Liabilities and its participating

interests in any Unrefunded Swingline Loans, shall at no time exceed the amount of its Commitment. Each Borrowing under this subsection (other than a Swingline Takeout Borrowing) shall be in an aggregate principal amount of $5,000,000 or any larger multiple of $1,000,000 (except that any such Borrowing may be in the aggregate amount available to the Borrower in accordance with Section 3.02) and shall be made from the several Banks ratably in proportion to their respective Commitments. Within the foregoing limits, the Borrower may borrow under this Section, repay, or to the extent permitted by Section 2.12, prepay Loans and reborrow at any time during the Revolving Credit Period under this Section.

(b) Swingline Loans. From time to time prior to the Termination Date, the Swingline Bank agrees, on the terms and conditions set forth in this Agreement, to make loans to the Borrower pursuant to this subsection from time to time in amounts such that (i) the aggregate principal amount of its Committed Loans at any one time outstanding shall not exceed the amount of its Commitment and (ii) the aggregate principal amount of Swingline Loans at any time outstanding shall not exceed $20,000,000. Within the foregoing limits, the Borrower may borrow under this subsection, repay or, to the extent permitted by Section 2.12, prepay Loans and reborrow at any time during the Revolving Credit Period under this subsection; provided that the proceeds of a Swingline Borrowing may not be used, in whole or in part, to refund any prior Swingline Borrowing. Each Borrowing under this subsection 2.01(b) shall be in an aggregate principal amount of $2,000,000 or any larger multiple of $500,000 (except that any such Borrowing may be in the aggregate amount available in accordance with Section 3.02.

SECTION 2.02. Method of Committed Borrowing. The Borrower shall give the Agent notice (a "NOTICE OF COMMITTED BORROWING") not later than 11:00 A.M. (New York City time) on (x) the date of each Base Rate Borrowing or Swingline Borrowing, (y) the second Domestic Business Day before each CD Borrowing and (z) the third Euro-Dollar Business Day before each Euro-Dollar Borrowing, specifying:

(a) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Domestic Borrowing or a Swingline Borrowing and a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing;

(b) the aggregate amount of such Borrowing;

(c) whether the Loans comprising such Borrowing are to be Swingline Loans;

(d) in the case of a Syndicated Borrowing, whether the Loans comprising such Borrowing are to bear interest initially at the Base Rate, a CD Rate or a Euro-Dollar Rate; and

(e) in the case of a Fixed Rate Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

SECTION 2.03. Money Market Borrowings. (a) The Money Market Option. In addition to Committed Borrowings pursuant to Section 2.01, the Borrower may, as set forth in this Section, request the Banks to make offers to make Money Market Loans to the Borrower from time to time during the Revolving Credit Period. The Banks may, but shall have no obligation to, make such offers and the Borrower may, but shall have no obligation to, accept any such offers in the manner set forth in this Section.

(b) Money Market Quote Request. When the Borrower wishes to request offers to make Money Market Loans under this Section, it shall transmit to the Agent by telex or facsimile a Money Market Quote Request substantially in the form of Exhibit B hereto so as to be received not later than 10:30 A.M. (New York City time) on (x) the fifth Euro-Dollar Business Day before the date of Borrowing proposed therein, in the case of a LIBOR Auction or (y) the Domestic Business Day next preceding the date of Borrowing proposed therein, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Borrower and the Agent shall have mutually agreed and shall have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective) specifying:

(i) the proposed date of Borrowing, which shall be a Euro-Dollar Business Day in the case of a LIBOR Auction or a Domestic Business Day in the case of an Absolute Rate Auction,

(ii) the aggregate amount of such Borrowing, which shall be $5,000,000 or a larger multiple of $1,000,000,

(iii) the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period, and

(iv) whether the Money Market Quotes requested are to set forth a Money Market Margin or a Money Market Absolute Rate.

The Borrower may request offers to make Money Market Loans for more than one Interest Period in a single Money Market Quote Request. No Money Market Quote Request shall be given within five Euro-Dollar Business Days (or such other number of days as the Borrower and the Agent may agree) of any other Money Market Quote Request.

(c) Invitation for Money Market Quotes. Promptly after receiving a Money Market Quote Request, the Agent shall send to the Banks by telex or facsimile an Invitation for Money Market Quotes substantially in the form of Exhibit C hereto, which shall constitute an invitation by the Borrower to each Bank to submit Money Market Quotes offering to make the Money Market Loans to which such Money Market Quote Request relates in accordance with this Section.

(d) Submission and Contents of Money Market Quotes. (i) Each Bank may submit a Money Market Quote containing an offer or offers to make Money Market Loans in response to any Invitation for Money Market Quotes. Each Money Market Quote must comply with the requirements of this subsection 2.03(d) and must be submitted to the Agent by telex or facsimile at its address referred to in Section 9.01 not later than (x) 2:00 P.M. (New York City time) on the fourth Euro-Dollar Business Day before the proposed date of Borrowing, in the case of a LIBOR Auction or (y) 9:30 A.M. (New York City time) on the proposed date of Borrowing, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Borrower and the Agent shall have mutually agreed and shall have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective); provided that Money Market Quotes submitted by the Agent (or any affiliate of the Agent) in the capacity of a Bank may be submitted, and may only be submitted, if the Agent or such affiliate notifies the Borrower of the terms of the offer or offers contained therein not later than (x) one hour before the deadline for the other Banks, in the case of a LIBOR Auction or (y) 15 minutes before the deadline for the other Banks, in the case of an Absolute Rate Auction. Subject to Articles 3 and 8, any Money Market Quote so made shall not be revocable except with the written consent of the Agent given on the instructions of the Borrower.

(ii) Each Money Market Quote shall be substantially in the form of Exhibit D hereto and shall in any case specify:

(A) the proposed date of Borrowing,

(B) the principal amount of the Money Market Loan for which each such offer is being made, which principal amount (w) may be greater than or less than the Commitment of the quoting Bank, (x) must be $5,000,000 or a larger multiple of $1,000,000, (y) may not exceed the principal amount of Money Market Loans for which offers were requested and (z) may be subject to an aggregate limitation as to the principal amount of Money Market Loans for which offers being made by such quoting Bank may be accepted,

(C) in the case of a LIBOR Auction, the margin above or below the applicable London Interbank Offered Rate (the "MONEY MARKET MARGIN") offered for each such Money Market Loan, expressed as a percentage (specified to the nearest 1/10,000th of 1%) to be added to or subtracted from such base rate,

(D) in the case of an Absolute Rate Auction, the rate of interest per annum (specified to the nearest 1/10,000th of 1%) (the "MONEY MARKET ABSOLUTE RATE") offered for each such Money Market Loan, and

(E) the identity of the quoting Bank.

A Money Market Quote may set forth up to five separate offers by the quoting Bank with respect to each Interest Period specified in the related Invitation for Money Market Quotes.

(iii) Any Money Market Quote shall be disregarded if it:

(A) is not substantially in conformity with Exhibit D hereto or does not specify all of the information required by subsection (d)(ii) above;

(B) contains qualifying, conditional or similar language;

(C) proposes terms other than or in addition to those set forth in the applicable Invitation for Money Market Quotes; or

(D) arrives after the time set forth in subsection (d)(i).

(e) Notice to Borrower. The Agent shall promptly notify the Borrower of the terms of (i) any Money Market Quote submitted by a Bank that is in

accordance with subsection (d) and (ii) any Money Market Quote that amends, modifies or is otherwise inconsistent with a previous Money Market Quote submitted by such Bank with respect to the same Money Market Quote Request. Any such subsequent Money Market Quote shall be disregarded by the Agent unless such subsequent Money Market Quote is submitted solely to correct a manifest error in such former Money Market Quote. The Agent's notice to the Borrower shall specify (A) the aggregate principal amount of Money Market Loans for which offers have been received for each Interest Period specified in the related Money Market Quote Request, (B) the respective principal amounts and Money Market Margins or Money Market Absolute Rates, as the case may be, so offered and (C) if applicable, limitations on the aggregate principal amount of Money Market Loans for which offers in any single Money Market Quote may be accepted.

(f) Acceptance and Notice by Borrower. Not later than 10:30 A.M. (New York City time) on (x) the third Euro-Dollar Business Day before the proposed date of Borrowing, in the case of a LIBOR Auction or (y) the proposed date of Borrowing, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Borrower and the Agent shall have mutually agreed and shall have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective), the Borrower shall notify the Agent of its acceptance or non-acceptance of the offers so notified to it pursuant to subsection (e). In the case of acceptance, such notice (a "NOTICE OF MONEY MARKET BORROWING") shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The Borrower may accept any Money Market Quote in whole or in part; provided that:

(i) the aggregate principal amount of each Money Market Borrowing may not exceed the applicable amount set forth in the related Money Market Quote Request;

(ii) the principal amount of each Money Market Borrowing must be $5,000,000 or a larger multiple of $1,000,000;

(iii) acceptance of offers may only be made on the basis of ascending Money Market Margins or Money Market Absolute Rates, as the case may be; and

(iv) the Borrower may not accept any offer that is described in subsection (d)(iii) or that otherwise fails to comply with the requirements of this Agreement.

(g) Allocation by Agent. If offers are made by two or more Banks with the same Money Market Margins or Money Market Absolute Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which such offers are accepted for the related Interest Period, the principal amount of Money Market Loans in respect of which such offers are accepted shall be allocated by the Agent among such Banks as nearly as possible (in multiples of $1,000,000, as the Agent may deem appropriate) in proportion to the aggregate principal amounts of such offers. Determinations by the Agent of the amounts of Money Market Loans shall be conclusive in the absence of manifest error.

Each Borrowing under this Section 2.03 shall be in an aggregate principal amount of $1,000,000 or any larger multiple of $1,000,000 (except that any such Borrowing may be in the aggregate amount available in accordance with Section 3.02.

SECTION 2.04. Notice to Banks; Funding of Loans.

(a) Upon receipt of a Notice of Borrowing, the Agent shall promptly (but in any event on the same day) notify each Bank of the contents thereof and of such Bank's ratable share (if any) of such Borrowing and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Not later than 12:00 Noon (New York City time) on the date of each Borrowing, each Bank shall make available its ratable share of such Borrowing, in Federal or other funds immediately available in New York City, to the Agent at its address referred to in Section 9.01. Unless the Agent determines that any applicable condition specified in Article III has not been satisfied, the Agent will make the funds so received from the Banks available to the Borrower at the Agent's aforesaid address.

(c) Unless the Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Agent such Bank's share of such Borrowing, the Agent may assume that such Bank has made such share available to the Agent on the date of such Borrowing in accordance with subsections (b) of this Section 2.04 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the Agent, such Bank and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the

Borrower, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.07 and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan included in such Borrowing for purposes of this Agreement.

SECTION 2.05. Notes. (a) The Loans of each Bank shall be evidenced by a single Note payable to the order of such Bank for the account of its Applicable Lending Office in an amount equal to the aggregate unpaid principal amount of such Bank's Loans.

(b) Each Bank may, by notice to the Borrower and the Agent, request that its Loans of a particular type be evidenced by a separate Note in an amount equal to the aggregate unpaid principal amount of such Loans. Each such Note shall be in substantially the form of Exhibit A hereto with appropriate modifications to reflect the fact that it evidences solely Loans of the relevant type. Each reference in this Agreement to the "NOTE" of such Bank shall be deemed to refer to and include any or all of such Notes, as the context may require.

(c) Upon receipt of each Bank's Note pursuant to Section 3.01(a), the Agent shall forward such Note to such Bank. Each Bank shall record the date, amount, type and maturity of each Loan made by it and the date and amount of each payment of principal made by the Borrower with respect thereto, and may, if such Bank so elects in connection with any transfer or enforcement of its Note, endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding; provided that the failure of any Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Notes. Each Bank is hereby irrevocably authorized by the Borrower so to endorse its Note and to attach to and make a part of its Note a continuation of any such schedule as and when required.

SECTION 2.06. Maturity of Loans. (a) Each Syndicated Loan shall mature, and the principal amount thereof shall be due and payable, together with accrued interest thereon, on the Termination Date.

(b) Each Swingline Loan included in any Swingline Borrowing and each Money Market Loan included in any Money Market Borrowing shall mature, and the principal amount thereof shall be due and payable (together with interest accrued thereon), on the last day of the Interest Period applicable to such Borrowing.

SECTION 2.07. Interest Rates. (a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the Base Rate for such day. Such interest shall be payable in arrears on each Quarterly Date and, with respect to the principal amount of any Base Rate Loan converted to a CD Loan or a Euro-Dollar Loan, on each date a Base Rate Loan is so converted. Any overdue principal of or overdue interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate otherwise applicable to Base Rate Loans for such day.

(b) Each CD Loan shall bear interest on the outstanding principal amount thereof, for each day during each Interest Period applicable thereto, at a rate per annum equal to the sum of the CD Margin for such day plus the Adjusted CD Rate applicable to such Interest Period; provided that if any CD Loan shall, as a result of clause (2)(b) of the definition of Interest Period, have an Interest Period of less than 30 days, such CD Loan shall bear interest during such Interest Period at the rate applicable to Base Rate Loans during such period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than 90 days, at intervals of 90 days after the first day thereof. Any overdue principal of or overdue interest on any CD Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the higher of (i) the sum of the CD Margin for such day plus the Adjusted CD Rate applicable to such Loan at the date such payment was due.

The "ADJUSTED CD RATE" applicable to any Interest Period means a rate per annum determined pursuant to the following formula:

$$ACDR = \left[\frac{CDBR}{1.00 - DRP} \right]^{*} + AR$$

ACDR = Adjusted CD Rate
CDBR = CD Base Rate
DRP = Domestic Reserve Percentage
AR = Assessment Rate

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* The amount in brackets being rounded upward, if necessary, to the next higher 1/100 of 1%

The "CD BASE RATE" applicable to any Interest Period is the rate of interest determined by the Agent to be the average (rounded upward, if necessary,

to the next higher 1/100 of 1%) of the prevailing rates per annum bid at 10:00 A.M. (New York City time) (or as soon thereafter as practicable) on the first day of such Interest Period by two or more New York certificate of deposit dealers of recognized standing for the purchase at face value from each CD Reference Bank of its certificates of deposit in an amount comparable to the principal amount of the CD Loan of such CD Reference Bank to which such Interest Period applies and having a maturity comparable to such Interest Period.

"DOMESTIC RESERVE PERCENTAGE" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including without limitation any basic, supplemental or emergency reserves) for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of new non-personal time deposits in dollars in New York City having a maturity comparable to the related Interest Period and in an amount of $100,000 or more. The Adjusted CD Rate shall be adjusted automatically on and as of the effective date of any change in the Domestic Reserve Percentage.

"ASSESSMENT RATE" means for any day the annual assessment rate in effect on such day which is payable by a member of the Bank Insurance Fund classified as adequately capitalized and within supervisory subgroup "A" (or a comparable successor assessment risk classification) within the meaning of 12 C.F.R. Section 327.4(a) (or any successor provision) to the Federal Deposit Insurance Corporation (or any successor) for such Corporation's (or such successor's) insuring time deposits at offices of such institution in the United States. The Adjusted CD Rate shall be adjusted automatically on and as of the effective date of any change in the Assessment Rate.

(c) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during each Interest Period applicable thereto, at a rate per annum equal to the sum of the Euro-Dollar Margin for such day plus the London Interbank Offered Rate applicable to such Interest Period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof.

The "LONDON INTERBANK OFFERED RATE" applicable to any Interest Period means the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which deposits in dollars are offered to each of the Euro-Dollar Reference Banks in the London interbank market at approximately 11:00 A.M. (London time) two Euro-Dollar Business Days before the first day of

such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of such Euro-Dollar Reference Bank to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

(d) Any overdue principal of or interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the higher of (i) the sum of 2% plus the Euro-Dollar Margin for such day plus the London Interbank Offered Rate applicable to such Loan at the date such payment was due and (ii) the sum of 2% plus the Euro-Dollar Margin for such day plus the quotient obtained (rounded upward, if necessary, to the next higher 1/100 of 1%) by dividing (x) the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which one day (or, if such amount due remains unpaid more than three Euro-Dollar Business Days, then for such other period of time not longer than three months as the Agent may select) deposits in dollars in an amount approximately equal to such overdue payment due to each of the Euro-Dollar Reference Banks are offered to such Euro-Dollar Reference Bank in the London interbank market for the applicable period determined as provided above by (y) 1.00 minus the Euro-Dollar Reserve Percentage (or, if the circumstances described in clause (a) or (b) of Section 8.01 shall exist, at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day).

(e) Each Swingline Loan shall bear interest on the outstanding principal amount thereof, for each day during the Interest Period applicable thereto, at a rate per annum equal to the Base Rate for such day or such other rate as may be from time to time determined by mutual agreement between the Swingline Bank and the Borrower. Interest on each Swingline Loan shall be payable at the maturity of such Loan. Any overdue principal of or interest on any Swingline Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the Base Rate for such day.

(f) Subject to Section 8.01, the unpaid principal amount of each Money Market LIBOR Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the London Interbank Offered Rate for such Interest Period (determined in accordance with Section 2.07(c) as if the related Money Market LIBOR Borrowing were a Euro-Dollar Borrowing) plus (or minus) the Money Market Margin quoted by the Bank making such Loan. The unpaid principal amount of each Money Market Absolute Rate Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the Money Market Absolute Rate quoted by the Bank making such Loan. Such interest shall be payable for each Interest Period on the last day thereof and, if such

Interest Period is longer than three months, at intervals of three months after the first day thereof. Any overdue principal of or interest on any Money Market Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the Base Rate for such day.

(g) The Agent shall determine each interest rate applicable to the Loans hereunder. The Agent shall give prompt notice to the Borrower and the participating Banks of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(h) Each Reference Bank agrees to use its best efforts to furnish quotations to the Agent as contemplated hereby. If any Reference Bank does not furnish a timely quotation, the Agent shall determine the relevant interest rate on the basis of the quotation or quotations furnished by the remaining Reference Bank or Banks or, if none of such quotations is available on a timely basis, the provisions of Section 8.01 shall apply.

SECTION 2.08. Fees. (a) The Borrower shall pay to the Agent for the account of the Banks ratably a facility fee at the Facility Fee Rate (determined daily in accordance with the Pricing Schedule). Such facility fee shall accrue (i) from and including the Effective Date to but excluding the date of termination of the Commitments in their entirety, on the daily aggregate amount of the Commitments (whether used or unused) and (ii) from and including such date of termination to but excluding the date the Loans and Letter of Credit Liabilities shall be repaid in their entirety, on the daily aggregate outstanding principal amount of the Loans and Letter of Credit Liabilities.

(b) The Borrower shall pay to the Agent (i) for the account of the Banks ratably a letter of credit fee accruing daily on the aggregate amount then available for drawing under all outstanding Letters of Credit at the Letter of Credit Fee Rate (determined daily in accordance with the Pricing Schedule) and (ii) for the account of each Issuing Bank a letter of credit fronting fee accruing daily on the aggregate amount then available for drawing under all Letters of Credit issued by such Issuing Bank at a rate per annum mutually agreed from time to time by the Borrower and such Issuing Bank.

(c) Accrued fees under this Section shall be payable quarterly in arrears on each Quarterly Date and on the date of termination of the Commitments in their entirety (and, if later, the date the Loans and Letter of Credit Liabilities shall be repaid in their entirety).

SECTION 2.09. Optional Termination or Reduction of Commitments. During the Revolving Credit Period, the Borrower may, upon at least three Domestic Business Days' notice to the Agent, (i) terminate the Commitments at any time, if no Loans or Letter of Credit Liabilities are outstanding at such time or (ii) ratably reduce from time to time by an aggregate amount of $5,000,000 or a larger multiple of $1,000,000, the aggregate amount of the Commitments in excess of the aggregate outstanding principal amount of the Loans and Letter of Credit Liabilities.

SECTION 2.10. Method of Electing Interest Rates. (a) The Loans included in each Syndicated Borrowing shall bear interest initially at the type of rate specified by the Borrower in the applicable Notice of Committed Borrowing. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Group of Loans (subject in each case to the provisions of Article 8 and the last sentence of this subsection (a)), as follows:

(i) if such Loans are Base Rate Loans, the Borrower may elect to convert such Loans to CD Loans as of any Domestic Business Day or to Euro-Dollar Loans as of any Euro-Dollar Business Day;

(ii) if such Loans are CD Loans, the Borrower may elect to convert such Loans to Base Rate Loans or Euro-Dollar Loans or elect to continue such Loans as CD Loans for an additional Interest Period, subject to Section 2.14 in the case of any such conversion or continuation effective on any day other than the last day of the then current Interest Period applicable to such Loans; and

(iii) if such Loans are Euro-Dollar Loans, the Borrower may elect to convert such Loans to Base Rate Loans or CD Loans or elect to continue such Loans as Euro-Dollar Loans for an additional Interest Period, subject to Section 2.14 in the case of any such conversion or continuation effective on any day other than the last day of the then current Interest Period applicable to such Loans.

Each such election shall be made by delivering a notice (a "NOTICE OF INTEREST RATE ELECTION") to the Agent not later than 11:00 A.M. (New York City time) on the third Euro-Dollar Business Day before the conversion or continuation selected in such notice is to be effective (unless the relevant Loans are to be converted to Domestic Loans of the other type or are CD Rate Loans to be continued as CD Rate Loans for an additional Interest Period, in which case such notice shall be delivered to the Agent not later than 11:00 A.M. (New York City time) on the second Domestic Business Day before such conversion or continuation is to be

effective). A Notice of Interest Rate Election may, if it so specifies, apply to only a portion of the aggregate principal amount of the relevant Group of Loans, provided that (i) such portion is allocated ratably among the Loans comprising such Group and (ii) the portion to which such Notice applies, and the remaining portion to which it does not apply, are each $5,000,000 or any larger multiple of $1,000,000.

(b) Each Notice of Interest Rate Election shall specify:

(i) the Group of Loans (or portion thereof) to which such notice applies;

(ii) the date on which the conversion or continuation selected in such notice is to be effective, which shall comply with the applicable clause of subsection 2.10(a) above;

(iii) if the Loans comprising such Group are to be converted, the new type of Loans and, if the Loans being converted are to be Fixed Rate Loans, the duration of the next succeeding Interest Period applicable thereto; and

(iv) if such Loans are to be continued as CD Loans or Euro-Dollar Loans for an additional Interest Period, the duration of such additional Interest Period.

Each Interest Period specified in a Notice of Interest Rate Election shall comply with the provisions of the definition of the term "INTEREST PERIOD".

(c) Upon receipt of a Notice of Interest Rate Election from the Borrower pursuant to subsection 2.10(a) above, the Agent shall promptly notify each Bank of the contents thereof and such notice shall not thereafter be revocable by the Borrower. If no Notice of Interest Rate Election is timely received prior to the end of an Interest Period for any Group of Loans, the Borrower shall be deemed to have elected that such Group of Loans be converted to Base Rate Loans as of the last day of such Interest Period.

(d) An election by the Borrower to change or continue the rate of interest applicable to any Group of Loans pursuant to this Section shall not constitute a "BORROWING" subject to the provisions of Section 3.02.

SECTION 2.11. Scheduled Termination of Commitments. The Commitments shall terminate on the Termination Date, and any Loans then

outstanding (together with accrued interest thereon) shall be due and payable on such date.

SECTION 2.12. Optional Prepayments. (a) Subject in the case of any Fixed Rate Loan to Section 2.14, the Borrower may, upon at least one Domestic Business Day's notice to the Agent, prepay any Group of Domestic Loans, any Swingline Borrowing (or any Money Market Borrowing bearing interest at the Base Rate pursuant to Section 8.01, or upon at least three Euro-Dollar Business Days' notice to the Agent, prepay any Group of Euro-Dollar Loans, in each case in whole at any time, or from time to time in part in amounts aggregating $5,000,000 ($1,000,000 in the case of a Swingline Borrowing) or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Banks included in such Borrowing.

(b) Except as provided in subsection 2.12(a) above the Borrower may not prepay all or any portion of the principal amount of any Money Market Loan prior to the maturity thereof.

(c) Upon receipt of a notice of prepayment pursuant to this Section, the Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the Borrower.

SECTION 2.13. General Provisions as to Payments. (a) The Borrower shall make each payment of principal of, and interest on, the Loans and of fees hereunder, not later than 12:00 Noon (New York City time) on the date when due, in Federal or other funds immediately available in New York City, to the Agent at its address referred to in Section 9.01. The Agent will promptly distribute to each Bank its ratable share of each such payment received by the Agent for the account of the Banks. Whenever any payment of principal of, or interest on, the Domestic Loans, Swingline Loans or Letter of Credit Liabilities or of fees shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of, or interest on, the Euro-Dollar Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. Whenever any payment of principal of, or interest on, the Money Market Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day. If the date for any payment of

principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Borrower shall not have so made such payment, each Bank shall repay to the Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Federal Funds Rate.

SECTION 2.14. Funding Losses. If the Borrower makes any payment of principal with respect to any Fixed Rate Loan or any Fixed Rate Loan is converted (pursuant to Article 2, 6 or 8 or otherwise) on any day other than the last day of an Interest Period applicable thereto, or the last day of an applicable period fixed pursuant to Section 2.07(d), or if the Borrower fails to borrow, prepay, convert or continue any Fixed Rate Loans after notice has been given to any Bank in accordance with Section 2.04(a), 2.12(c) or 2.10(c), the Borrower shall reimburse each Bank within 15 days after demand for any resulting loss or expense incurred by it (or by an existing or prospective Participant in the related Loan), including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or conversion or failure to borrow, prepay, convert or continue, provided that such Bank shall have delivered to the Borrower and the Agent a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

SECTION 2.15. Computation of Interest and Fees. Interest based on the Prime Rate hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

SECTION 2.16. Letters of Credit. (a) Subject to the terms and conditions hereof, the Issuing Bank agrees to issue Letters of Credit hereunder from time to time before the tenth day before the Termination Date upon the request of the Borrower; provided that, immediately after each Letter of Credit is issued (i) the

aggregate amount of the Letter of Credit Liabilities plus the aggregate outstanding amount of all Loans shall not exceed the aggregate amount of the Commitments and (ii) the aggregate Letter of Credit Liabilities shall not exceed $50,000,000. Upon the date of issuance by the Issuing Bank of a Letter of Credit, the Issuing Bank shall be deemed, without further action by any party hereto, to have sold to each Bank, and each Bank shall be deemed, without further action by any party hereto, to have purchased from the Issuing Bank, a participation in such Letter of Credit and the related Letter of Credit Liabilities in the proportion their respective Commitments bear to the aggregate Commitments.

(b) The Borrower shall give the Issuing Bank notice at least five Domestic Business Days prior to the requested issuance of a Letter of Credit specifying the date such Letter of Credit is to be issued, and describing the terms of such Letter of Credit and the nature of the transactions to be supported thereby (such notice, including any such notice given in connection with the extension of a Letter of Credit, a "NOTICE OF ISSUANCE"). Upon receipt of a Notice of Issuance, the Issuing Bank shall promptly notify the Agent, and the Agent shall promptly notify each Bank of the contents thereof and of the amount of such Bank's participation in such Letter of Credit. The issuance by the Issuing Bank of each Letter of Credit shall, in addition to the conditions precedent set forth in Article 3, be subject to the conditions precedent that such Letter of Credit shall be in such form and contain such terms as shall be satisfactory to the Issuing Bank and that the Borrower shall have executed and delivered such other instruments and agreements relating to such Letter of Credit as the Issuing Bank shall have reasonably requested. The Borrower shall also pay to the Issuing Bank for its own account issuance, drawing, amendment and extension charges in the amounts and at the times as agreed between the Borrower and the Issuing Bank. The extension or renewal of any Letter of Credit shall be deemed to be an issuance of such Letter of Credit, and if any Letter of Credit contains a provision pursuant to which it is deemed to be extended unless notice of termination is given by the Issuing Bank, the Issuing Bank shall timely give such notice of termination unless it has theretofore timely received a Notice of Issuance and the other conditions to issuance of a Letter of Credit have also theretofore been met with respect to such extension.

(c) No Letter of Credit shall have a term extending or be so extendible beyond the fifth Domestic Business Day preceding the Termination Date. Subject to the preceding sentence, each Letter of Credit issued hereunder shall expire on or before the first anniversary of the date of such issuance; provided that the expiry date of any Letter of Credit may be extended from time to time (i) at the Borrower's request or (ii) in the case of an Evergreen Letter of Credit, automatically, in each case so long as such extension is for a period not exceeding one year and is granted (or the last day on which notice can be given to prevent

such extension occurs) no earlier than three months before the then existing expiry date thereof.

(d) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the Issuing Bank shall notify the Agent and the Agent shall promptly notify the Borrower and each other Bank as to the amount to be paid as a result of such demand or drawing and the payment date. The Borrower shall be irrevocably and unconditionally obligated forthwith to reimburse the Issuing Bank for any amounts paid by the Issuing Bank upon any drawing under any Letter of Credit, without presentment, demand, protest or other formalities of any kind. All such amounts paid by the Issuing Bank and remaining unpaid by the Borrower shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the Base Rate for such day. In addition, each Bank will pay to the Agent, for the account of the Issuing Bank, immediately upon the Issuing Bank's demand at any time during the period commencing after such drawing until reimbursement therefor in full by the Borrower, an amount equal to such Bank's ratable share of such drawing (in proportion to its participation therein), together with interest on such amount for each day from the date of the Issuing Bank's demand for such payment (or, if such demand is made after 12:00 Noon (New York City time) on such date, from the next succeeding Domestic Business Day) to the date of payment by such Bank of such amount at a rate of interest per annum equal to the Federal Funds Rate. The Issuing Bank will pay to each Bank ratably all amounts received from the Borrower for application in payment of its reimbursement obligations in respect of any Letter of Credit, but only to the extent such Bank has made payment to the Issuing Bank in respect of such Letter of Credit pursuant hereto.

(e) The obligations of the Borrower and each Bank under subsection 2.16(d) above shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including without limitation the following circumstances:

(i) the use which may be made of the Letter of Credit by, or any acts or omission of, a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting);

(ii) the existence of any claim, set-off, defense or other rights that the Borrower may have at any time against a beneficiary of a Letter of Credit (or any Person for whom the beneficiary may be acting), the Banks (including the Issuing Bank) or any other Person, whether in connection

with this Agreement or the Letter of Credit or any document related hereto or thereto or any unrelated transaction;

(iii) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(iv) payment under a Letter of Credit to the beneficiary of such Letter of Credit against presentation to the Issuing Bank of a draft or certificate that does not comply with the terms of the Letter of Credit; or

(v) any other act or omission to act or delay of any kind by any Bank (including the Issuing Bank), the Agent or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this subsection (v), constitute a legal or equitable discharge of the Borrower's or the Bank's obligations hereunder.

(f) The Borrower hereby indemnifies and holds harmless each Bank (including the Issuing Bank) and the Agent from and against any and all claims, damages, losses, liabilities, costs or expenses which such Bank or the Agent may incur (including, without limitation, any claims, damages, losses, liabilities, costs or expenses which the Issuing Bank may incur by reason of or in connection with the failure of any other Bank to fulfill or comply with its obligations to such Issuing Bank hereunder (but nothing herein contained shall affect any rights the Borrower may have against such defaulting Bank)), and none of the Banks (including the Issuing Bank) nor the Agent nor any of their officers or directors or employees or agents shall be liable or responsible, by reason of or in connection with the execution and delivery or transfer of or payment or failure to pay under any Letter of Credit, including without limitation any of the circumstances enumerated in subsection 2.16(d) above, as well as (i) any error, omission, interruption or delay in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, (ii) any loss or delay in the transmission of any document required in order to make a drawing under a Letter of Credit, and (iii) any consequences arising from causes beyond the control of the Issuing Bank, including without limitation any government acts, or any other circumstances whatsoever in making or failing to make payment under such Letter of Credit; provided that the Borrower shall not be required to indemnify the Issuing Bank for any claims, damages, losses, liabilities, costs or expenses, and the Borrower shall have a claim for direct (but not consequential) damage suffered by it, to the extent found by a court of competent jurisdiction to have been caused by (x) the willful misconduct or gross negligence of the Issuing Bank to comply in any material respect with the UCP in determining whether a request presented under any Letter

of Credit complied with the terms of such Letter of Credit or (y) the Issuing Bank's failure to pay under any Letter of Credit after the presentation to it of a request strictly complying with the terms and conditions of the Letter of Credit. Nothing in this subsection 2.16(f) is intended to limit the obligations of the Borrower under any other provision of this Agreement. To the extent the Borrower does not indemnify the Issuing Bank as required by this subsection, the Banks agree to do so ratably in accordance with their Commitments.

SECTION 2.17. Regulation D Compensation. Each Bank may require the Borrower to pay, contemporaneously with each payment of interest on the Euro-Dollar Loans, additional interest on the related Euro-Dollar Loan of such Bank at a rate per annum determined by such Bank up to but not exceeding the excess of (i) (A) the applicable London Interbank Offered Rate divided by (B) one minus the Euro-Dollar Reserve Percentage over (ii) the applicable London Interbank Offered Rate. Any Bank wishing to require payment of such additional interest (x) shall so notify the Borrower and the Agent, in which case such additional interest on the Euro-Dollar Loans of such Bank shall be payable to such Bank at the place indicated in such notice with respect to each Interest Period commencing at least three Euro-Dollar Business Days after such Bank gives such notice and (y) shall notify the Borrower at least five Euro-Dollar Business Days before each date on which interest is payable on the Euro-Dollar Loans of the amount then due it under this Section.

SECTION 2.18. Takeout of Swingline Loans. (a) In the event that any Swingline Borrowing shall not be repaid in full at or prior to the maturity thereof, the Agent shall, on behalf of the Borrower (the Borrower hereby irrevocably directing and authorizing the Agent so to act on its behalf), give a Notice of Borrowing requesting the Banks, including the Swingline Bank, to make a Base Rate Borrowing in an amount equal to the unpaid principal amount of such Swingline Borrowing. Each Bank will make the proceeds of its Base Rate Loan included in such Borrowing available to the Agent for the account of the Swingline Bank on such date in accordance with Section 2.04. The proceeds of such Base Rate Borrowing shall be immediately applied to repay such Swingline Borrowing.

(b) If, for any reason, a Base Rate Borrowing may not be (as determined by the Agent in its sole discretion), or is not, made pursuant to subsection (a) above to refund Swingline Loans as required by said clause, then, effective on the date such Borrowing would otherwise have been made, each Bank severally, unconditionally and irrevocably agrees that it shall purchase an undivided participating interest in such Swingline Loans ("UNREFUNDED SWINGLINE LOANS") in an amount equal to the amount of the Loan which otherwise would have been made by such Bank pursuant to subsection (a), which purchase shall be funded by

the time such Loan would have been required to be funded pursuant to Section 2.04 by transfer to the Agent, for the account of the Swingline Bank, in immediately available funds, of the amount of its participation.

(c) Whenever, at any time after the Swingline Bank has received from any Bank payment in full for such Bank's participating interest in a Swingline Loan, the Swingline Bank (or the Agent on its behalf) receives any payment on account thereof, the Swingline Bank (or the Agent, as the case may be) will promptly distribute to such Bank its participating interest in such payment (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Bank's participating interest was outstanding and funded); provided, however, that in the event that such payment is subsequently required to be returned, such Bank will return to the Swingline Bank (or the Agent, as the case may be) any portion thereof previously distributed by the Swingline Bank (or the Agent, as the case may be) to it.

(d) Each Bank's obligation to purchase and fund participating interests pursuant to this Section shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation: (i) any setoff, counterclaim, recoupment, defense or other right which such Bank or the Borrower may have against the Swingline Bank, or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default or the failure to satisfy any of the conditions specified in Article 3; (iii) any adverse change in the condition (financial or otherwise) of the Borrower; (iv) any breach of this Agreement by the Borrower or any Bank; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

SECTION 2.19. Increased Commitments, Additional Banks. (a) From time to time (but no more than two times), the Borrower may, upon at least 15 Domestic Business Days' notice to the Agent (which shall promptly provide a copy of such notice to the Banks), propose to increase the aggregate amount of the Commitments by an amount not less than $25,000,000 (the amount of any such increase, the "INCREASED COMMITMENTS"). Each Bank party to this Agreement at such time shall have the right (but no obligation), for a period of 15 days following receipt of such notice, to elect by notice to the Borrower and the Agent to increase its Commitment by a principal amount which bears the same ratio to the Increased Commitments as its then Commitment bears to the aggregate Commitments then existing. Any Bank not responding within 15 days of receipt of such notice shall be deemed to have declined to increase its Commitment.

(b) If any Bank party to this Agreement shall not elect to increase its Commitment pursuant to subsection (a) of this Section, the Borrower may, within

10 days of the Banks' response, designate one or more of the existing Banks or other financial institutions acceptable to the Agent and the Borrower which at the time agree to (i) in the case of any such lender that is an existing Bank, increase its Commitment and (ii) in the case of any other such lender (an "ADDITIONAL BANK"), become a party to this Agreement with a Commitment of not less than $10,000,000. The sum of the increases in the Commitments of the existing Banks pursuant to this subsection (b) plus the Commitments of the Additional Banks shall not in the aggregate exceed the unsubscribed amount of the Increased Commitments.

(c) Any increase in the Commitments pursuant to this Section 2.19 shall be subject to satisfaction of the following conditions:

(i) before and after giving effect to such increase, all representations and warranties contained in Article 4 shall be true;

(ii) at the time of such increase, no Default shall have occurred and be continuing or would result from such increase; and

(iii) after giving effect to such increase, the aggregate amount of all increases in Commitments made pursuant to this Section 2.19 shall not exceed $100,000,000.

(d) An increase in the aggregate amount of the Commitments pursuant to this Section 2.19 shall become effective upon the receipt by the Agent of (i) an agreement in form and substance satisfactory to the Agent signed by the Borrower, by each Additional Bank and by each other Bank whose Commitment is to be increased, setting forth the new Commitments of such Banks and setting forth the agreement of each Additional Bank to become a party to this Agreement and to be bound by all the terms and provisions hereof, (ii) such evidence of appropriate corporate authorization on the part of the Borrower with respect to the Increased Commitments and such opinions of counsel for the Borrower with respect to the Increased Commitments as the Agent may reasonably request and (iii) such evidence of the satisfaction of the conditions set forth in subsection (c) above as the Agent may reasonably request.

(e) Upon any increase in the aggregate amount of the Commitments pursuant to this Section 2.19, within five Domestic Business Days, in the case of Base Rate Loans then outstanding, and at the end of the then current Interest Period with respect thereto, in the case of Committed Fixed Rate Loans then outstanding, the Borrower shall prepay or repay such Loans in their entirety and, to the extent the Borrower elects to do so and subject to the conditions specified in Article 3, the

Borrower shall reborrow Committed Loans from the Banks in proportion to their respective Commitments after giving effect to such increase, until such time as all outstanding Committed Loans are held by the Banks in such proportion.

ARTICLE 3

CONDITIONS

SECTION 3.01. Effectiveness. This Agreement shall become effective on the date (the "EFFECTIVE DATE") on which the Agent shall have received each of the following documents, each dated the Effective Date unless otherwise indicated:

(a) counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Agent in form satisfactory to it of telegraphic, telex, facsimile transmission or other written confirmation from such party of execution of a counterpart hereof signed by such party);

(b) a duly executed Note for the account of each Bank dated on or before the Effective Date complying with the provisions of Section 2.05;

(c) counterparts of the Guaranty Agreement, duly executed by each of the Subsidiaries listed on the signature pages thereof;

(d) an opinion of Fulbright & Jaworski L.L.P., substantially in the form of Exhibit E-1 hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

(e) an opinion of the General Counsel of the Borrower, substantially in the form of Exhibit E-2 hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

(f) an opinion of Davis Polk & Wardwell, special counsel for the Agent, substantially in the form of Exhibit F hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

(g) all documents the Agent may reasonably request relating to the existence of the Borrower, the corporate authority for and the validity of the Loan Documents, and any other matters relevant hereto, all in form and substance satisfactory to the Agent; and

(h) evidence satisfactory to the Agent of the payment of all principal of and interest on any loans outstanding under, and all accrued commitment fees under, the Existing Credit Agreement.

The Agent shall promptly notify the Borrower and the Banks of the Effective Date, and such notice shall be conclusive and binding on all parties hereto. The Borrower and the Banks party to the Existing Credit Agreement, comprising the "REQUIRED BANKS" as defined therein, hereby agree that (i) the commitments of the banks under the Existing Credit Agreement shall terminate in their entirety immediately and automatically upon the effectiveness of this Agreement, without further action by any party to the Existing Credit Agreement, (ii) all accrued facility fees under the Existing Credit Agreement shall be due and payable at such time and (iii) subject to Section 2.12 of the Existing Credit Agreement, the Borrower may prepay any and all loans outstanding thereunder on the date of effectiveness of this Agreement.

SECTION 3.02. Borrowings and Issuances of Letters of Credit. The obligation of any Bank to make a Loan on the occasion of any Borrowing and the obligation of the Issuing Bank to issue (or renew or extend the term of) any Letter of Credit is subject to the satisfaction of the following conditions; provided that if such Borrowing is a Swingline Takeout Borrowing, only the conditions set forth in clauses 3.02(a) and 3.02(b) must be satisfied:

(a) receipt (or deemed receipt) by the Agent of a Notice of Borrowing as required by Section 2.02 or Section 2.03 or receipt by the Issuing Bank of a Notice of Issuance as required by Section 2.16(b), as the case may be;

(b) the fact that, immediately after such Borrowing or issuance of such Letter of Credit (i) the sum of the aggregate outstanding principal amount of the Loans and the aggregate amount of Letter of Credit Liabilities will not exceed the aggregate amount of the Commitments, (ii) the aggregate outstanding principal amount of Swingline Loans will not exceed $20,000,000 and (iii) the aggregate amount of Letter of Credit Liabilities will not exceed $50,000,000;

(c) the fact that, immediately before and after such Borrowing or issuance of such Letter of Credit, no Default shall have occurred and be continuing; and

(d) the fact that the representations and warranties of the Borrower contained in this Agreement shall be true on and as of the date of such Borrowing or issuance of such Letter of Credit.

Each Borrowing and issuance of a Letter of Credit hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Borrowing as to the facts specified in clauses 3.02(b), 3.02(c) and 3.02(d) (unless such Borrowing is a Swingline Takeout Borrowing, in which case the Borrower shall be deemed to represent and warrant as to the facts specified in clause 3.02(b)).

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

SECTION 4.01. Existence and Power. The Borrower and each of its Subsidiaries is a corporation, partnership, limited liability company or other entity duly organized, validly existing and, where applicable, in good standing under the laws of their respective jurisdictions of organization and have all powers and all material governmental licenses, authorizations, consents and approvals required to carry on their business as now conducted.

SECTION 4.02. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by the Borrower of this Agreement and the Notes and by the Subsidiaries party thereto of the Guaranty Agreement are within the Borrower's and such Subsidiaries' respective powers, have been duly authorized by all necessary action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of the Borrower or of such Subsidiaries or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or any of its Subsidiaries or result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

SECTION 4.03. Binding Effect. This Agreement constitutes a valid and binding agreement of the Borrower and each Note, when executed and delivered in accordance with this Agreement, will constitute a valid and binding obligation of the Borrower, in each case enforceable in accordance with its terms. Unless terminated pursuant to Section 5.15(b), the Guaranty Agreement constitutes a valid and binding agreement of each Subsidiary that is a party thereto, enforceable against it in accordance with its terms.

SECTION 4.04. Financial Information.

(a) The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 1996 and the related consolidated statements of income, common stockholders' equity and cash flows for the fiscal year then ended, reported on by Arthur Andersen LLP and set forth in the Borrower's 1996 Form 10-K, a copy of which has been delivered to each of the Banks, fairly present, in conformity with generally accepted accounting principles, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) The unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of March 31, 1997 and the related unaudited consolidated statements of income, common stockholders' equity and cash flows for the three months then ended, set forth in the Borrower's Latest Form 10-Q, a copy of which has been delivered to each of the Banks, fairly present, in conformity with generally accepted accounting principles applied on a basis consistent with the financial statements referred to in subsection 4.04(a), the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such three-month period (subject to normal year-end adjustments).

(c) Since March 31, 1997, there has been no material adverse change in the business, financial position, results of operations or prospects of the Borrower and its Consolidated Subsidiaries, considered as a whole.

SECTION 4.05. Litigation. There is no action, suit or proceeding pending against, or to the knowledge of the Borrower threatened against or affecting, the Borrower or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which could materially adversely affect the business, consolidated financial position or consolidated results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, or which in any manner draws into question the validity of any of the Loan Documents.

SECTION 4.06. Ownership of Capital Stock of Subsidiaries. The Subsidiaries of the Borrower existing on the date hereof are listed on Schedule 1 hereto. All shares of the capital stock of each Subsidiary of the Borrower that is a corporation are owned by the Borrower, directly or indirectly through Subsidiaries, free and clear of all Liens.

SECTION 4.07. Compliance with ERISA. Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

SECTION 4.08. Environmental Matters. In the ordinary course of its business, the Borrower reviews when and as appropriate the effect of Environmental Laws on the business, operations and properties of the Borrower and its Subsidiaries, in the course of which it identifies and evaluates associated liabilities and costs (including, without limitation, any capital or operating expenditures required for clean-up or closure of properties presently or previously owned, any capital or operating expenditures required to achieve or maintain compliance with environmental protection standards imposed by law or as a condition of any license, permit or contract, any related constraints on operating activities, including any periodic or permanent shutdown of any facility or reduction in the level of or change in the nature of operations conducted thereat, any costs or liabilities in connection with off-site disposal of wastes or Hazardous Substances, and any actual or potential liabilities to third parties, including employees, and any related costs and expenses). On the basis of this review, the Borrower has reasonably concluded that such associated liabilities and costs, including the costs of compliance with Environmental Laws, are unlikely to have a material adverse effect on the business, financial condition, results of operations or prospects of the Borrower and its Consolidated Subsidiaries, considered as a whole.

SECTION 4.09. Taxes. The Borrower and its Subsidiaries have filed all United States Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Borrower or any Subsidiary. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Borrower, adequate.

SECTION 4.10. Not an Investment Company. The Borrower is not an "INVESTMENT COMPANY" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 4.11. Full Disclosure. All information heretofore furnished by the Borrower to the Agent or any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the Borrower to the Agent or any Bank will be, true and accurate in all material respects on the date as of which such information is stated or certified. The Borrower has disclosed to the Banks in writing any and all facts which materially and adversely affect or could reasonably be expected to materially and adversely affect (to the extent the Borrower can now reasonably foresee), the business, operations or financial condition of the Borrower and its Consolidated Subsidiaries, taken as a whole, or the ability of the Borrower to perform its obligations under this Agreement.

ARTICLE 5

COVENANTS

The Borrower agrees that, so long as any Bank has any Commitment hereunder or any amount payable under any Note remains unpaid or any Letter of Credit Liabilities remain outstanding:

SECTION 5.01. Information. The Borrower will deliver to each of the Banks:

(a) as soon as available and in any event within 90 days after the end of each fiscal year of the Borrower, a consolidated and consolidating balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated and consolidating statements of income and common stockholders' equity and consolidated statement of cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on in a manner acceptable to the Securities and Exchange Commission by Arthur Andersen LLP or other independent public accountants of nationally recognized standing or, in the case of the consolidating financial statements, certified as to fairness of presentation, generally accepted accounting principles and consistency by the Borrower's chief financial officer or chief accounting officer, except that the consolidating financial statements with respect to the special purpose Subsidiary referred to in the definition of "RECEIVABLES FINANCING" need not be so certified as to generally accepted accounting principles;

(b) as soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Borrower, a consolidated and consolidating balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated and consolidating statements of income and common stockholders' equity and consolidated statement of cash flows for such quarter and for the portion of the Borrower's fiscal year ended at the end of such quarter, setting forth in each case in comparative form the figures for the corresponding quarter and the corresponding portion of the Borrower's previous fiscal year, all certified (subject to normal year-end adjustments) as to fairness of presentation, generally accepted accounting principles and consistency by the chief financial officer or the chief accounting officer of the Borrower, except that the consolidating financial statements with respect to the special purpose Subsidiary referred to in the definition of "RECEIVABLES FINANCING" need not be so certified as to generally accepted accounting principles;

(c) simultaneously with the delivery of each set of financial statements referred to in clauses 5.01(a) and 5.01(b) above, a certificate of the chief financial officer or the chief accounting officer of the Borrower setting forth (i) in reasonable detail the calculations required to establish whether the Borrower was in compliance with the requirements of Sections 5.07 to 5.12, inclusive, on the date of such financial statements, (ii) the Leverage Ratio, Fixed Charge Coverage Ratio and Consolidated Net Worth as at the date of such financial statements and (iii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(d) simultaneously with the delivery of each set of financial statements referred to in clause 5.01(a) above, a statement of the firm of independent public accountants which reported on such statements (i) whether anything has come to their attention to cause them to believe that any Default existed on the date of such statements and (ii) confirming the calculations set forth in the officer's certificate delivered simultaneously therewith pursuant to clause 5.01(c) above;

(e) within five days after any officer of the Borrower obtains knowledge of any Default, if such Default is then continuing, a certificate of the chief financial officer or the chief accounting officer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(f) promptly upon the mailing thereof to the shareholders of the Borrower generally, copies of all financial statements, reports and proxy statements so mailed;

(g) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalents) which the Borrower shall have filed with the Securities and Exchange Commission;

(h) if and when any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "REPORTABLE EVENT" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan or Benefit Arrangement which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a certificate of the chief financial officer or the chief accounting officer of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take;

(i) (x) no later than the end of each fiscal year an executive summary report of Johnson & Higgins or any other nationally recognized actuary selected by the Borrower with the consent of the Required Banks (which consent will not be unreasonably withheld) of the Borrower's estimated cost of insurance, including self-insurance, for the following fiscal year (provided that the Borrower will deliver to the Agent the full report at the same time), and (y) by the end of each fiscal year, a certificate of the chief financial officer of the Borrower to the effect that, to provide for the insurance cost allocation, the Borrower has debited its

income statement for such fiscal year in accordance with the recommendations set forth in the summary report of Johnson & Higgins (or other actuary referred to above) concerning such fiscal year; and

(j) from time to time such additional information regarding the financial position or business of the Borrower and its Subsidiaries as the Agent, at the request of any Bank, may reasonably request.

SECTION 5.02. Payment of Obligations. (a) The Borrower will pay and discharge, and will cause each Subsidiary to pay and discharge, at or before maturity, all their respective material obligations and liabilities, including, without limitation, tax liabilities, except where the same may be contested in good faith by appropriate proceedings, and will maintain, and will cause each Subsidiary to maintain, in accordance with generally accepted accounting principles, appropriate reserves for the accrual of any of the same.

(b) The Borrower will, and will cause each Subsidiary to, comply with the provisions of each material lease to which it is a party.

(c) The Borrower shall not permit any Subsidiary to agree to any amendment or modification of any lease which would be adverse to the interests of such Subsidiary, the Borrower or the Banks.

SECTION 5.03. Maintenance of Property; Insurance. (a) The Borrower will keep, and will cause each Subsidiary to keep, all property useful and necessary to its business in good working order and condition, ordinary wear and tear excepted.

(b) The Borrower will maintain, and will cause each Subsidiary to maintain (either in the name of the Borrower or in such Subsidiary's own name), insurance policies against such risks, in at least such amounts and upon such terms as are set forth in Schedule 2 hereto; provided that the Borrower shall not be required to maintain insurance specified in the preceding sentence (i) if an independent insurance broker, insurance agent or other insurance representative reasonably satisfactory to the Required Banks shall certify to the Banks that such requirement with respect to such insurance cannot be complied with in a recognized insurance market by reason of the unavailability to companies of established repute engaged in the same or a similar business of insurance with respect to one or more risks so required to be insured against or the amount of insurance so required to be maintained or (ii) in respect of any assets sold by the Borrower, for events occurring after the sale of such assets. The Borrower may replace any insurance company named in Schedule 2 hereto with an Acceptable Insurer, and may decrease the amount of insurance not constituting self-insurance

carried with the consent of the Required Banks. The Borrower may self-insure for professional and general liability claims, including, without limitation, workers compensation, so long as the Borrower shall maintain, and make additions to, reserves not less than such amounts as may be necessary so as to permit the Borrower to make the statement required in the chief financial officer's certificate pursuant to Section 5.01(i). The Borrower will furnish to the Banks (i) upon request of any Bank through the Agent from time to time, full information as to the insurance carried, including the full report referred to in Section 5.01(i), (ii) within five days of receipt of notice from any insurer, a copy of any notice of cancellation or material change in coverage from that existing on the date of this Agreement and (iii) forthwith, notice of any cancellation or nonrenewal of coverage by the Borrower. The Borrower will self-insure risks in excess of $25,000,000 per occurrence only with the consent of the Required Banks.

SECTION 5.04. Conduct of Business and Maintenance of Existence. Except as permitted by Section 5.11 the Borrower will continue, and will cause each Subsidiary to continue, to engage in business of the same general type as now conducted by the Borrower and its Subsidiaries, and will preserve, renew and keep in full force and effect, and, except as permitted by Section 5.11, will cause each Subsidiary to preserve, renew and keep in full force and effect their respective corporate or partnership existence and their respective rights, privileges and franchises necessary or desirable in the normal conduct of business.

SECTION 5.05. Compliance with Laws. The Borrower will comply, and cause each Subsidiary to comply, in all material respects with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws and ERISA and the rules and regulations thereunder) except where the necessity of compliance therewith is contested in good faith by appropriate proceedings.

SECTION 5.06. Inspection of Property, Books and Records. The Borrower will keep, and will cause each Subsidiary to keep, proper books of record and account in which full, true and correct entries in conformity with generally accepted accounting principles shall be made of all dealings and transactions in relation to its business and activities; and will permit, and will cause each Subsidiary to permit, representatives of any Bank at such Bank's expense to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired.

SECTION 5.07. Leverage Ratio. The Leverage Ratio will not, at any time exceed 0.65 to 1.00.

SECTION 5.08. Minimum Consolidated Net Worth. Consolidated Net Worth will at no time be less than the sum of $382,495,000 plus 50% of Cumulative Positive Net Income. For purposes of this Section, "CUMULATIVE POSITIVE NET INCOME" means, as of any date, the sum of Consolidated Net Income for each fiscal year ending after the Effective Date (or, in the case of the first such fiscal year, the last three fiscal quarters thereof, treated as a single period) and on or prior to such date for which such Consolidated Net Income is a positive amount, disregarding any fiscal year for which Consolidated Net Income is a negative amount.

SECTION 5.09. Fixed Charge Coverage. The Fixed Charge Coverage Ratio will not, at the last day of any fiscal quarter ending during any fiscal year set forth below, be less than the ratio set forth below opposite such year:

Fiscal Year Ending	Ratio
December 31, 1997	3.50 to 1.0
December 31, 1998	3.50 to 1.0
December 31, 1999	3.50 to 1.0
December 31, 2000	4.00 to 1.0
December 31, 2001	4.25 to 1.0
December 31, 2002	4.25 to 1.0

SECTION 5.10. Restricted Payments; Prepayments of Subordinated Debt. The Borrower will not, and will not permit any of its Subsidiaries to, (i) declare or make any Restricted Payment or (ii) prepay, purchase, redeem or otherwise acquire for value (except in compliance with compulsory amortization or sinking fund requirements (including, without limitation, purchases thereof made to fulfill sinking fund requirements within 12 months of any sinking fund payment date) or any other mandatory prepayment provisions and in compliance with the subordination provisions of such Subordinated Debt), or make any payment of interest or deposit funds with any paying agent therefor more than five business days before the time such payment or deposit is due with respect to, or agree to the modification or amendment of any of the terms of subordination or payment of, or

amortization or sinking fund requirements applicable to, any Subordinated Debt; provided that, so long as no Default has occurred and is continuing, the Borrower may make Restricted Payments so long as the aggregate amount of Restricted Payments made pursuant to this proviso after the Effective Date does not exceed the sum of (i) $50,000,000 plus (ii) 50% of Consolidated Net Income of the Borrower and its Consolidated Subsidiaries for the period from March 31, 1997 through the end of the Borrower's then most recent fiscal quarter (treated for this purpose as a single accounting period).

SECTION 5.11. Consolidations, Mergers, Sales of Assets, Dissolutions, Reorganizations, etc. (a) The Borrower will not, nor will it permit any Subsidiary to, enter into any transaction of merger or consolidation, reorganize, liquidate, dissolve or wind up (or suffer any reorganization, liquidation, dissolution or winding up) or convey, sell, lease or otherwise dispose of, in one or a series of related transactions, substantially all of its property, assets or business, except:

(i) the Borrower and its Subsidiaries may sell their inventory in the ordinary course of business;

(ii) any Subsidiary of the Borrower may be voluntarily liquidated, dissolved or wound up or merged into or consolidated with, or may convey all or any part of its property, assets or business to, the Borrower or any Wholly-Owned Consolidated Subsidiary; provided that (A) if a Subsidiary of the Borrower is merged into or consolidated with the Borrower or any Wholly-Owned Consolidated Subsidiary, the Borrower or such Wholly-Owned Consolidated Subsidiary, as the case may be, shall be the surviving corporation and (B) no disposition of assets referred to above in this clause (ii) of this Section shall be permitted if, immediately after giving effect thereto, a Default shall have occurred and be continuing; and

(iii) any Subsidiary of the Borrower may sell substantially all of its accounts receivable to the special purpose Subsidiary referred to in the definition of "RECEIVABLES FINANCING" pursuant to the Receivables Financing and such Subsidiary may obtain financing of up to $125,000,000 by selling or pledging substantially all such accounts receivable to certain investors.

Notwithstanding the foregoing, (X) the Borrower may permit any Subsidiary to enter into any transaction of merger or consolidation, reorganize, liquidate, dissolve or wind up (or suffer any reorganization, liquidation, dissolution or winding up of such Subsidiary) or convey, sell, lease or otherwise dispose of, in one or a series of related transactions, substantially all of its property, assets or

business, and (Y) the Borrower may trade or exchange (through formation of joint ventures or otherwise), the assets of any Subsidiary for similar assets, provided that the aggregate amount of Net Tangible Assets so disposed of pursuant to clauses (X) and (Y) during the term of this Agreement shall not exceed 15% of Consolidated Net Tangible Assets, determined as of the last day of the fiscal quarter most recently ended on or prior to the date of consummation of the most recent such trade or exchange.

SECTION 5.12. Subsidiary Debt. The Borrower will not, after the date of this Agreement, permit any of its Subsidiaries to incur, assume or suffer to exist any Debt except (A) Debt existing on the date hereof, (B) Debt owing to the Borrower or a Wholly-Owned Consolidated Subsidiary, (C) non-recourse financing approved in advance in writing by the Required Banks, (D) Debt secured by Liens permitted pursuant to Section 5.14, (E) Guarantees of letter of credit reimbursement obligations of the Borrower in an aggregate amount (contingent and non-contingent) at no time exceeding $30,000,000 and (F) Debt (other than Debt permitted pursuant to clauses (A), (B), (C), (D) and (E) hereof) not exceeding in aggregate principal amount at any time outstanding for all Subsidiaries the greater of (i) $30,000,000 or (ii) 10% of Consolidated Net Worth.

SECTION 5.13. Use of Proceeds. The proceeds of the Loans made under this Agreement will be used by the Borrower for its general corporate purposes. None of such proceeds will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any "MARGIN STOCK" within the meaning of Regulation U.

SECTION 5.14. Negative Pledge. The Borrower will not, and will not permit any Subsidiary to, create, assume or suffer to exist any Lien on any asset (including the stock and assets of any Subsidiary) now owned or hereafter acquired by it, except:

(a) Liens on cash and cash equivalents securing Derivatives Obligations, provided that the aggregate amount of cash and cash equivalents subject to such Liens may at no time exceed $5,000,000;

(b) Liens existing on the date of this Agreement securing Debt outstanding on the date of this Agreement, in an aggregate principal amount not exceeding $36,000,000;

(c) any Lien existing on any asset of any Person at the time such Person becomes a Subsidiary and not created in contemplation of such event;

(d) any Lien on any asset securing Debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring such asset; provided that such Lien attaches to such asset concurrently with or within 90 days after the acquisition thereof;

(e) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into the Borrower or a Subsidiary and not created in contemplation of such event;

(f) any Lien existing on any asset prior to the acquisition thereof by the Borrower or a Subsidiary and not created in contemplation of such acquisition;

(g) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses of this Section; provided that such Debt is not increased and is not secured by any additional assets;

(h) Liens arising in the ordinary course of its business which (i) do not secure Debt or Derivatives Obligations, (ii) do not secure obligations exceeding $20,000,000 in aggregate amount and (iii) do not in the aggregate materially detract from the value of its assets or materially impair the use thereof in the operation of its business;

(i) Liens arising out of the Receivables Financing; and

(j) Liens not otherwise permitted by the foregoing clauses of this Section securing Debt in an aggregate principal amount at any time outstanding not to exceed 5% of Consolidated Net Worth.

SECTION 5.15. Additional Guarantors and Release of Guaranties. (a) Additional Guarantors. The Borrower represents and warrants that, as of the date of this Agreement, the Guarantors set forth on the signature pages of the Guaranty Agreement constitute all Subsidiaries (except as contemplated by the definition of the term "SUBSIDIARY"). The Borrower agrees, within ten days after any Person hereafter becomes a Subsidiary, to cause such Person to become a Guarantor (as defined in the Guaranty Agreement) under the Guaranty Agreement, and in connection therewith to deliver such opinions of counsel and other documents relating to such Guarantor and its obligations thereunder as the Agent may reasonably request.

(b) Release of Guarantees. Upon the effectiveness of the Supplemental Indenture, each Guarantor's obligations under the Guaranty Agreement shall be

discharged; provided that the Agent shall have received a true and correct copy of the Supplemental Indenture.

ARTICLE 6

DEFAULTS

SECTION 6.01. Events of Default. If one or more of the following events ("EVENTS OF DEFAULT") shall have occurred and be continuing:

(a) the Borrower shall fail to pay when due any principal of or interest on any Loan, any fees or any other amount payable hereunder;

(b) the Borrower or any of its Subsidiaries shall fail to observe or perform any covenant contained in Sections 5.07 to 5.15, inclusive;

(c) the Borrower or any of its Subsidiaries shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clause 6.01(a) or 6.01(b) above) or the Guaranty Agreement for 10 days after notice thereof has been given to the Borrower or such Subsidiary by the Agent at the request of any Bank;

(d) any representation, warranty, certification or statement made by the Borrower or any of its Subsidiaries in the Loan Documents or in any certificate, financial statement or other document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made (or deemed made);

(e) the Borrower or any Subsidiary shall fail to make any payment in respect of any Material Financial Obligations when due or within any applicable grace period;

(f) any event or condition shall occur which results in the acceleration of the maturity of any Material Debt or enables (or, with the giving of notice or lapse of time or both, would enable) the holder of such Debt or any Person acting on such holder's behalf to accelerate the maturity thereof;

(g) the Borrower or any of its Subsidiaries shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its

property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(h) an involuntary case or other proceeding shall be commenced against the Borrower or any of its Subsidiaries seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower or any Subsidiary under the federal bankruptcy laws as now or hereafter in effect;

(i) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of $1,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of $1,000,000;

(j) a judgment or order for the payment of money in excess of $1,000,000 shall be rendered against the Borrower or any Subsidiary and such judgment or order shall continue unsatisfied and unstayed for a period of 10 days; or

(k) any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) (except a person that has or a group of persons each of which has as of the date hereof more than 10% of such voting common stock) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) of 25% or more of the outstanding shares of voting common stock

of the Borrower; or, during any period of 24 consecutive calendar months, individuals who were either (i) directors of the Borrower on the first day of such period or (ii) elected to fill vacancies caused by the ordinary course resignation or retirement of any other director and whose nomination or election was approved by a vote of at least a majority of directors then still in office who were directors of the Borrower on the first day of such period, shall cease to constitute a majority of the board of directors of the Borrower;

then, and in every such event, the Agent shall (i) if requested by the Required Banks, by notice to the Borrower terminate the Commitments and they shall thereupon terminate, (ii) if requested by Banks holding at least 66 2/3% of the aggregate principal amount of the Loans, by notice to the Borrower declare the Notes (together with accrued interest thereon) to be, and the Notes shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; provided that in the case of any of the Events of Default specified in clause 6.01(g) or 6.01(h) above with respect to the Borrower, without any notice to the Borrower or any other act by the Agent or the Banks, the Commitments shall thereupon terminate and the Notes (together with accrued interest thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

SECTION 6.02. Notice of Default. The Agent shall give notice to the Borrower under Section 6.01(c) promptly upon being requested to do so by any Bank and shall thereupon notify all the Banks thereof.

SECTION 6.03. Cash Cover. The Borrower agrees, in addition to the provisions of Section 6.01 hereof, that upon the occurrence and during the continuance of any Event of Default, it shall, if requested by the Agent upon the instruction of the Banks having at least 66 2/3% in aggregate amount of the Commitments (or, if the Commitments shall have been terminated, holding at least 66 2/3% of the Letter of Credit Liabilities), pay to the Agent an amount in immediately available funds (which funds shall be held as collateral pursuant to arrangements satisfactory to the Agent) equal to the aggregate amount available for drawing under all Letters of Credit then outstanding at such time, provided that, upon the occurrence of any Event of Default specified in Section 6.01(g) or 6.01(h) with respect to the Borrower, the Borrower shall pay such amount forthwith without any notice or demand or any other act by the Agent or the Banks.

ARTICLE 7

THE AGENT

SECTION 7.01. Appointment and Authorization. Each Bank irrevocably appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Agent by the terms thereof, together with all such powers as are reasonably incidental thereto.

SECTION 7.02. Agent and Affiliates. Morgan Guaranty Trust Company of New York shall have the same rights and powers under the Loan Documents as any other Bank and may exercise or refrain from exercising the same as though it were not the Agent, and Morgan Guaranty Trust Company of New York and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Subsidiary or affiliate of the Borrower as if it were not the Agent hereunder.

SECTION 7.03. Action by Agent. The obligations of the Agent under the Loan Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article VI.

SECTION 7.04. Consultation with Experts. The Agent may consult with legal counsel (who may be counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

SECTION 7.05. Liability of Agent. Neither the Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or not taken by it in connection with the Loan Documents (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with the Loan Documents or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of the Borrower or any of its Subsidiaries; (iii) the satisfaction of any condition specified in Article 3, except receipt of items required to be delivered to the Agent; or (iv) the validity, effectiveness or genuineness of the Loan Documents or any other instrument or writing furnished in connection therewith. The Agent shall not incur any liability by acting in

reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, telex, facsimile transmission or similar writing) believed by it to be genuine or to be signed by the proper party or parties. Without limiting the generality of the foregoing, the use of the term "agent" in this Agreement with reference to the Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom and is intended to create or reflect only an administrative relationship between independent contracting parties.

SECTION 7.06. Indemnification. Each Bank shall, ratably in accordance with its Commitment, indemnify the Agent, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrower) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct) that such indemnitees may suffer or incur in connection with the Loan Documents or any action taken or omitted by such indemnitees thereunder.

SECTION 7.07. Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank, and on the basis of such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank, and on the basis of such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under the Loan Documents.

SECTION 7.08. Successor Agent. The Agent may resign at any time by giving notice thereof to the Banks and the Borrower. Upon any such resignation, the Required Banks shall have the right to appoint a successor Agent with (so long as no Default shall have occurred and be continuing) the consent of the Borrower, which consent shall not be unreasonably withheld. If no successor Agent shall have been so appointed by the Required Banks with the Borrower's consent, and shall have accepted such appointment, within 60 days after the retiring Agent gives notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $50,000,000. Upon the acceptance of its appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation hereunder as Agent,

the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

SECTION 7.09. Agent's Fee; Arranger Fee. The Borrower shall pay to the Agent for its own account and to J.P. Morgan Securities Inc. ("JPMSI"), in its capacity as arranger, for its own account, fees in the amounts and at the times previously agreed upon between the Borrower and the Agent and JPMSI, respectively.

ARTICLE 8

CHANGE IN CIRCUMSTANCES

SECTION 8.01. Basis for Determining Interest Rate Inadequate or Unfair. If on or prior to the first day of any Interest Period for any CD Loan, Euro-Dollar Loan or Money Market LIBOR Loan:

(a) the Agent is advised by the Reference Banks that deposits in dollars (in the applicable amounts) are not being offered to the Reference Banks in the relevant market for such Interest Period, or

(b) in the case of CD Loans or Euro-Dollar Loans, Banks having 50% or more of the aggregate amount of the Commitments advise the Agent that the Adjusted CD Rate or the London Interbank Offered Rate, as the case may be, as determined by the Agent will not adequately and fairly reflect the cost to such Banks of funding their CD Loans or Euro-Dollar Loans, as the case may be, for such Interest Period,

the Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Banks to make CD Loans or Euro-Dollar Loans, as the case may be, or to continue or convert outstanding Loans as or into CD Loans or Euro-Dollar Loans, as the case may be, shall be suspended and (ii) each outstanding CD Loan or Euro-Dollar Loan, as the case may be, shall be converted into a Base Rate Loan on the last day of the then current Interest Period applicable thereto. Unless the Borrower notifies the Agent at least two Domestic Business Days before the date of any Fixed Rate Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, (i) if such Fixed Rate Borrowing is a Syndicated Borrowing, such Borrowing shall instead be made as a Base Rate Borrowing and (ii) if such Fixed Rate Borrowing is a Money Market LIBOR Borrowing, then the Money

Market LIBOR Loans comprising such Borrowing shall bear interest for each day from and including the first day to but excluding the last day of the Interest Period applicable thereto at the Base Rate for such day.

SECTION 8.02. Illegality. If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending Office) to make, maintain or fund any of its Euro-Dollar Loans and such Bank shall so notify the Agent, the Agent shall forthwith give notice thereof to the other Banks and the Borrower, whereupon until such Bank notifies the Borrower and the Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans, or to convert outstanding Loans into Euro-Dollar Loans, shall be suspended. Before giving any notice to the Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such notice is given, each Euro-Dollar Loan of such Bank then outstanding shall be converted to a Base Rate Loan either (a) on the last day of the then current Interest Period applicable to such Euro-Dollar Loan if such Bank may lawfully continue to maintain and fund such Loan to such day or (b) immediately if such Bank shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

SECTION 8.03. Increased Cost and Reduced Return. (a) If on or after (x) the date hereof, in the case of any Committed Loan or Letter of Credit or any obligation to make Committed Loans or issue or participate in any Letter of Credit or (y) the date of any related Money Market Quote, in the case of any Money Market Loan, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding (i) with respect to any CD Loan any such requirement included in an applicable Domestic Reserve Percentage and (ii) with

respect to any Euro-Dollar Loan any such requirement included in an applicable Euro-Dollar Reserve Percentage), special deposit, insurance assessment (excluding, with respect to any CD Loan, any such requirement reflected in an applicable Assessment Rate) or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office) or shall impose on any Bank (or its Applicable Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Fixed Rate Loans, its Note or its obligation to make Fixed Rate Loans or its obligations hereunder in respect of Letters of Credit and the result of any of the foregoing is to increase the cost to such Bank (or its Applicable Lending Office) of making or maintaining any Fixed Rate Loan or of issuing or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) under this Agreement or under its Note with respect thereto, by an amount deemed by such Bank to be material, then, within 15 days after demand by such Bank (with a copy to the Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction.

(b) If any Bank shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 15 days after demand by such Bank (with a copy to the Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank (or its Parent) for such reduction.

(c) Each Bank will promptly notify the Borrower and the Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Bank to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest

error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

SECTION 8.04. Taxes. (a) For purposes of this Section 8.04, the following terms have the following meanings:

"TAXES" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings with respect to any payment by the Borrower or any Subsidiary pursuant to any Loan Document, and all liabilities with respect thereto, excluding (i) in the case of each Bank and the Agent, taxes imposed on its income, net worth or gross receipts and franchise or similar taxes imposed on it, by a jurisdiction under the laws of which such Bank or the Agent (as the case may be) is organized or in which its principal executive office is located or, in the case of each Bank, in which its Applicable Lending Office is located and (ii) in the case of each Bank, any United States withholding tax imposed on such payments but only to the extent that such Bank is subject to United States withholding tax at the time such Bank first becomes a party to this Agreement.

"OTHER TAXES" means any present or future stamp or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement or under any Note or from the execution or delivery of, or otherwise with respect to, any Loan Document.

(b) Any and all payments by the Borrower to or for the account of any Bank or the Agent hereunder or under any Note shall be made without deduction for any Taxes or Other Taxes; provided that, if the Borrower shall be required by law to deduct any Taxes or Other Taxes from any such payments, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 8.04) such Bank or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Borrower shall furnish to the Agent, at its address referred to in Section 9.01, the original or a certified copy of a receipt evidencing payment thereof.

(c) The Borrower agrees to indemnify each Bank and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 8.04) paid by such Bank or the Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect

thereto. This indemnification shall be paid within 15 days after such Bank or the Agent (as the case may be) makes demand therefor.

(d) Each Bank organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Bank listed on the signature pages hereof and on or prior to the date on which it becomes a Bank in the case of each other Bank, and from time to time thereafter if requested in writing by the Borrower (but only so long as such Bank remains lawfully able to do so), shall provide the Borrower with Internal Revenue Service form 1001 or 4224, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Bank is entitled to benefits under an income tax treaty to which the United States is a party which exempts the Bank from United States withholding tax or reduces the rate of withholding tax on payments of interest for the account of such Bank or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States.

(e) For any period with respect to which a Bank has failed to provide the Borrower with the appropriate form pursuant to Section 8.04(d) (unless such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which such form originally was required to be provided), such Bank shall not be entitled to indemnification under Section 8.04(b) or 8.04(c) with respect to Taxes imposed by the United States; provided that if a Bank, which is otherwise exempt from or subject to a reduced rate of withholding tax, becomes subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(f) If the Borrower is required to pay additional amounts to or for the account of any Bank pursuant to this Section 8.04, then such Bank will change the jurisdiction of its Applicable Lending Office if, in the judgment of such Bank, such change (i) will eliminate or reduce any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous to such Bank.

SECTION 8.05. Base Rate Loans Substituted for Affected Fixed Rate Loans. If (i) the obligation of any Bank to make, or convert outstanding Loans to, Euro-Dollar Loans has been suspended pursuant to Section 8.02 or (ii) any Bank has demanded compensation under Section 8.03 or 8.04 with respect to its CD Loans or Euro-Dollar Loans and the Borrower shall, by at least five Euro-Dollar Business Days' prior notice to such Bank through the Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such

Bank notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer exist:

(a) all Loans which would otherwise be made by such Bank as (or continued as or converted into) CD Loans or Euro-Dollar Loans, as the case may be, shall instead be Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Fixed Rate Loans of the other Banks); and

(b) after each of its CD Loans or Euro-Dollar Loans, as the case may be, has been repaid (or converted to a Base Rate Loan), all payments of principal which would otherwise be applied to repay such Fixed Rate Loans shall be applied to repay its Base Rate Loans instead.

If such Bank notifies the Borrower that the circumstances giving rise to such notice no longer apply, the principal amount of each such Base Rate Loan shall be converted into a CD Loan or Euro-Dollar Loan, as the case may be, on the first day of the next succeeding Interest Period applicable to the related CD Loans or Euro-Dollar Loans of the other Banks.

SECTION 8.06. Substitution of Bank. If (i) the obligation of any Bank to make Euro-Dollar Loans or to convert or continue outstanding Loans into Euro-Dollar Loans shall be suspended pursuant to Section 8.02 or (ii) any Bank shall demand compensation pursuant to Section 8.03 or 8.04, the Borrower shall have the right, with the assistance of the Agent and the Issuing Banks, to seek a mutually satisfactory bank or banks (which may be one or more of the Banks) to purchase the outstanding Loans of such Bank and to assume the Commitment and Letter of Credit Liabilities of such Bank.

ARTICLE 9

MISCELLANEOUS

SECTION 9.01. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the Borrower or the Agent, at its address, facsimile number or telex number set forth on the signature pages hereof, (y) in the case of any Bank, at its address, facsimile number or telex number set forth in its Administrative Questionnaire or (z) in the case of any party, such other address, facsimile number or telex number as such party may hereafter specify for the purpose by notice to the Agent and the

Borrower. Each such notice, request or other communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified in this Section and the appropriate answerback is received, (ii) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (iii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iv) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Agent or any Issuing Bank under Article 2 or Article 8 shall not be effective until received.

SECTION 9.02. No Waivers. No failure or delay by the Agent or any Bank in exercising any right, power or privilege under the Loan Documents shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 9.03. Expenses; Indemnification. (a) The Borrower shall pay (i) all out-of-pocket expenses of the Agent, including fees and disbursements of special counsel for the Agent, in connection with the preparation of the Loan Documents, any waiver or consent thereunder or any amendment thereof or any Default or alleged Default hereunder and (ii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Agent and each Bank, including fees and disbursements of counsel, in connection with such Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Borrower agrees to indemnify the Agent and each Bank, their respective affiliates and the respective directors, officers, agents and employees of the foregoing (each an "INDEMNITEE") and hold each Indemnitee harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened relating to or arising out of this Agreement or any actual or proposed use of proceeds of Loans hereunder; provided that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction.

SECTION 9.04. Sharing of Set-Offs. Subject to Section 2.18, each Bank agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount then due with

respect to the Loans and Letter of Credit Liabilities held by it which is greater than the proportion received by any other Bank in respect of the aggregate amount then due and interest due with respect to the Loans and Letter of Credit Liabilities held by such other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the Loans and Letter of Credit Liabilities held by the other Banks, and such other adjustments shall be made, as may be required so that all such payments then due with respect to the Loans and Letter of Credit Liabilities held by the Banks shall be shared by the Banks pro rata; provided that nothing in this Section shall impair the right of any Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than its indebtedness under the Loan Documents. The Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in the Loans and Letter of Credit Liabilities, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrower in the amount of such participation.

SECTION 9.05. Amendments and Waivers. Any provision of this Agreement or the Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Banks (and, if the rights or duties of the Agent, the Swingline Bank or any Issuing Bank are affected thereby, by such Person); provided that no such amendment or waiver shall, unless signed by all the Banks, (i) increase or decrease the Commitment of any Bank (except (x) as contemplated by Section 2.19 or (y) for a ratable decrease in the Commitments of all Banks) or subject any Bank to any additional obligation, (ii) reduce the principal of or rate of interest on any Loan or the amount to be reimbursed in respect of any Letter of Credit or any interest thereon or any fees hereunder, (iii) postpone the date fixed for any payment of principal of or interest on any Loan or for reimbursement in respect of any Letter of Credit or interest thereon or any fees hereunder or for termination of any Commitment, (iv) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes and Letter of Credit Liabilities, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Section or any other provision of this Agreement, (v) change this Section 9.05 or (vi) permit the subordination of any payment or right of payment due to the Banks under the Loan Documents.

SECTION 9.06. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or

otherwise transfer any of its rights under this Agreement without the prior written consent of all Banks.

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "PARTICIPANT") participating interests in its Commitment or any or all of its Loans and Letter of Credit Liabilities. In the event of any such grant by a Bank of a participating interest to a Participant, whether or not upon notice to the Borrower and the Agent, such Bank shall remain responsible for the performance of its obligations hereunder, and the Borrower, the Issuing Banks and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under the Loan Documents. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower under the Loan Documents including, without limitation, the right to approve any amendment, modification or waiver of any provision thereof; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in clause (i), (ii) or (iii) of Section 9.05 without the consent of the Participant. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article 8 with respect to its participating interest. An assignment or other transfer which is not permitted by subsection 9.06(c) or 9.06(d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection 9.06(b).

(c) Any Bank may at any time assign to one or more banks or other institutions (each an "ASSIGNEE") all, or a proportionate part (equivalent to an initial Commitment of not less than $5,000,000) of all, of its rights and obligations under the Loan Documents, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit G hereto executed by such Assignee and such transferor Bank, with (and subject to) the subscribed consent of the Borrower, the Agent and the Issuing Banks, which consents shall not be unreasonably withheld; provided that if an Assignee is an affiliate of such transferor Bank or was a Bank immediately prior to such assignment, no such consent shall be required. Upon execution and delivery of such instrument and payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with a Commitment as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of

any assignment pursuant to this subsection 9.06(c), the transferor Bank, the Agent and the Borrower shall make appropriate arrangements so that, if required, a new Note is issued to the Assignee. In connection with any such assignment, the transferor Bank shall pay to the Agent an administrative fee for processing such assignment in the amount of $2,500. If the Assignee is not incorporated under the laws of the United States of America or a state thereof, it shall, prior to the first date on which interest or fees are payable hereunder for its account, deliver to the Borrower and the Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 8.04.

(d) Any Bank may at any time assign all or any portion of its rights under the Loan Documents to a Federal Reserve Bank. No such assignment shall release the transferor Bank from its obligations hereunder.

(e) No Assignee, Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 8.03 or 8.04 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Borrower's prior written consent or by reason of the provisions of Section 8.02, 8.03 or 8.04 requiring such Bank to designate a different Applicable Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

SECTION 9.07. Collateral. Each of the Banks represents to the Agent and each of the other Banks that it in good faith is not relying upon any "MARGIN STOCK" (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for in this Agreement.

SECTION 9.08. Governing Law; Submission to Jurisdiction. This Agreement and each Note shall be governed by and construed in accordance with the laws of the State of New York. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

SECTION 9.09. Counterparts; Integration. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same

effect as if the signatures thereto and hereto were upon the same instrument. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH OF THE BORROWER, THE AGENT, THE BANKS AND THE ISSUING BANKS HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

UNIVERSAL HEALTH SERVICES, INC.

By /s/ Kirk E. Gorman

Title: Senior Vice President and
Chief Financial Officer
Universal Corporate Center
367 South Gulph Road
King of Prussia, PA 19406
Facsimile number: (610) 768-3318

Commitments
- -----------

$66,000,000 MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By /s/ Penelope J. B. Cox

Title: Vice President

$43,000,000 BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, successor by merger to BANK OF AMERICA ILLINOIS

By /s/ Anthony L. Trunzo

Title: Vice President

$43,000,000 THE CHASE MANHATTAN BANK

By /s/ Dawn Lee Lum

Title: Vice President

$43,000,000 NATIONSBANK, N.A.

By /s/ Kevin Wagley

Title: Vice President

$30,000,000 FIRST UNION NATIONAL BANK

By /s/ Joseph H. Towell

Title: Senior Vice President

$30,000,000	PNC BANK, N.A. By /s/ Jack Swire --- Title: Vice President
$15,000,000	CORESTATES BANK, N.A. By /s/ Lisa Rothenberger --- Title: Commercial Officer
$15,000,000	FLEET NATIONAL BANK By /s/ Ginger Stolzenthaler --- Title: Senior Vice President
$15,000,000	MELLON BANK, N.A. By /s/ Carol Paige --- Title: Vice President
- ----------	
Total Commitments	
$300,000,000	
==========	

MORGAN GUARANTY TRUST
COMPANY OF NEW YORK, as Agent

By /s/ Penelope J. B. Cox

Title: Vice President
60 Wall Street
New York, New York 10260-0060
Attention: Loan Department
Telex number: 177615 MGT
Facsimile number: (212) 648-5018

PRICING SCHEDULE I
(RATIO BASED PRICING)

The "EURO-DOLLAR MARGIN", "CD MARGIN", "FACILITY FEE RATE" and "LC FEE RATE" for any day are the respective percentages set forth below in the applicable row under the column corresponding to the Status that exists on such day:

Status	Level I	Level II	Level III	Level IV
Euro-Dollar Margin	0.250%	0.350%	0.425%	0.500%
CD Margin	0.375%	0.475%	0.550%	0.625%
Facility Fee Rate	0.125%	0.150%	0.200%	0.375%
LC Fee Rate	0.250%	0.350%	0.425%	0.500%

For purposes of this Schedule, the following terms have the following meanings:

"LEVEL I STATUS" exists at any date if, at such date, the Applicable Leverage Ratio is less than 0.45.

"LEVEL II STATUS" exists at any date if, at such date, (i) the Applicable Leverage Ratio is less than 0.55 and (ii) Level I Status does not exist.

"LEVEL III STATUS" exists at any date if, at such date, (i) the Applicable Leverage Ratio is less than 0.65 and (ii) neither Level I Status nor Level II Status exists.

"LEVEL IV STATUS" exists at any date if, at such date, no other Status exists.

"APPLICABLE LEVERAGE RATIO" means, for each day during any Quarter, the Leverage Ratio as at the last day of the second preceding Quarter (e.g. the Applicable Leverage Ratio for each day during the Quarter ending on March 31, 1997 shall be the Leverage Ratio as at September 30, 1996).

"QUARTER" means each period of three consecutive calendar months consisting of (i) January, February and March; (ii) April, May and June; (iii) July, August and September and (iv) October, November and December.

"STATUS" refers to the determination of which of Level I Status, Level II Status, Level III Status or Level IV Status exists at any date.

PRICING SCHEDULE II
(RATINGS BASED PRICING)

The "EURO-DOLLAR MARGIN", "CD MARGIN", "FACILITY FEE RATE" and "LC FEE RATE" for any day are the respective percentages set forth below in the applicable row under the column corresponding to the status that exists on such day:

Status	Level I	Level II	Level III	Level IV	Level V
Euro-Dollar Margin	0.2150%	0.2875%	0.3500%	0.4250%	0.5000%
CD Margin	0.3400%	0.4125%	0.4750%	0.5500%	0.6250%
Facility Fee Rate	0.1100%	0.1375%	0.1500%	0.2000%	0.3750%
LC Fee Rate	0.2150%	0.2875%	0.3500%	0.4250%	0.5000%

For purposes of this Schedule, the following terms have the following meanings:

"LEVEL I STATUS" exists at any date if, at such date, the Borrower is rated (i) "BBB" or higher by S&P and no lower than Baa3 by Moody's or (ii) "Baa2" or higher by Moody's and no lower than BBB- by S&P.

"LEVEL II STATUS" exists at any date if, at such date, the Borrower is rated "BBB-" or higher by S&P and "Baa3" or higher by Moody's.

"LEVEL III STATUS" exists at any date if, at such date, (i) (x) the Borrower is rated "BBB-" or higher by S&P and no lower than "Ba1" by Moody's, or (y) the Borrower is rated Baa3 or higher by Moody's and no lower than BB+ by S&P and (ii) neither Level I Status or Level II Status exists.

"LEVEL IV STATUS" exists at any date if, at such date, the Borrower is rated "BB+" by S&P and "Ba1" by Moody's.

"LEVEL V STATUS" exists at any date if, at such date, no other Status exists.

"MOODY'S" means Moody's Investors Service, Inc.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"STATUS" refers to the determination of which of Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status exists at any date.

The credit ratings to be utilized for purposes of this Schedule are those assigned to the senior unsecured long-term debt securities of the Borrower without third-party credit enhancement, and any rating assigned to any other debt security of the Borrower shall be disregarded. The ratings in effect for any day are those in effect at the close of business on such day.

SCHEDULE 1

Subsidiaries

SCHEDULE 2

Insurance

EXHIBIT A

NOTE

New York, New York
_____, 1997

For value received, Universal Health Services, Inc., a Delaware corporation (the "BORROWER"), promises to pay to the order of _____ (the "BANK"), for the account of its Applicable Lending Office, the unpaid principal amount of each Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below on the last day of the Interest Period relating to such Loan. The Borrower promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of Morgan Guaranty Trust Company of New York, 60 Wall Street, New York, New York.

All Loans made by the Bank, the respective types and maturities thereof and all repayments of the principal thereof shall be recorded by the Bank and, if the Bank so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding may be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This note is one of the Notes referred to in the Credit Agreement dated as of July 8, 1997 among the Borrower, the banks listed on the signature pages thereof and Morgan Guaranty Trust Company of New York, as Agent (as the same may be amended from time to time, the "CREDIT AGREEMENT"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof.

UNIVERSAL HEALTH SERVICES, INC.

By

Title:

Note (cont'd)

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Type of Loan	Principal Repaid	Maturity Date	Notation Made By

FORM OF MONEY MARKET QUOTE REQUEST

[Date]

To: Morgan Guaranty Trust Company of New York
(the "Agent")

From: Universal Health Services, Inc. (the "Borrower")

Re: Credit Agreement (as the same may be amended from time to time, the "Credit Agreement") dated as of July 8, 1997 among the Borrower, the Banks party thereto and the Agent

We hereby give notice pursuant to Section ? of the Credit Agreement that we request Money Market Quotes for the following proposed Money Market Borrowing(s):

Date of Borrowing:

Principal Amount* Interest Period**

$

Such Money Market Quotes should offer a Money Market [Margin] [Absolute Rate]. [The applicable base rate is the London Interbank Offered Rate.]

Terms used herein have the meanings assigned to them in the Credit Agreement.

UNIVERSAL HEALTH SERVICES, INC.

By

Name:
Title:

- ---

* Amount must be $5,000,000 or a larger multiple of $1,000,000.

** Not less than one month (LIBOR Auction) or not less than 7 days (Absolute Rate Auction), subject to the provisions of the definition of Interest Period.

EXHIBIT C - Invitation for Money Market Quotes

FORM OF INVITATION FOR MONEY MARKET QUOTES

To: [Name of Bank]

Re: Invitation for Money Market Quotes to Universal Health Services, Inc. (the "Borrower")

Pursuant to Section ? of the Credit Agreement dated as of June 11, 1997 among the Borrower, the Banks party thereto and the undersigned, as Agent, we are pleased on behalf of the Borrower to invite you to submit Money Market Quotes to the Borrower for the following proposed Money Market Borrowing(s):

Date of Borrowing:
_____

Principal Amount Interest Period

$

Such Money Market Quotes should offer a Money Market [Margin] [Absolute Rate]. [The applicable base rate is the London Interbank Offered Rate.]

Please respond to this invitation by no later than [2:00 P.M.] [9:30 A.M.] (New York City time) on [date].

Terms used herein have the meanings assigned to them in the Credit Agreement.

MORGAN GUARANTY TRUST COMPANY OF
NEW YORK, as Agent

By
_____
Authorized Officer

FORM OF MONEY MARKET QUOTE

To: Morgan Guaranty Trust Company of New York, as Agent

Re: Money Market Quote to Universal Health Services, Inc. (the "Borrower")

In response to your invitation on behalf of the Borrower dated _____, ____, we hereby make the following Money Market Quote on the following terms:

1. Quoting Bank: _____

2. Person to contact at Quoting Bank:

_____

3. Date of Borrowing: * _____

4. We hereby offer to make Money Market Loan(s) in the following principal amounts, for the following Interest Periods and at the following rates:

Principal Amount**	Interest Period***	Money Market [Margin****]	[Absolute Rate*****]

[Provided, that the aggregate principal amount of Money Market Loans for which the above offers may be accepted shall not exceed $_____.]**

We understand and agree that the offer(s) set forth above, subject to the satisfaction of the applicable conditions set forth in the Credit Agreement dated as of June 11, 1997 among Universal Health Services, Inc., the Banks party thereto and yourselves, as Agent,

- _____

*As specified in the related Invitation.

**Principal amount bid for each Interest Period may not exceed principal amount requested. Specify aggregate limitation if the sum of the individual offers exceeds the amount the Bank is willing to lend. Each bid must be made for $5,000,000 or a larger multiple of $1,000,000..

***Not less than one month or not less than 7 days, as specified in the related Invitation. No more than five bids are permitted for each Interest Period.

****Margin over or under the London Interbank Offered Rate determined for the applicable Interest Period. Specify percentage (to the nearest 1/10,000th of 1%) and specify whether PLUS or MINUS .

*****Specify rate of interest per annum (to the nearest 1/10,000th of 1%).

irrevocably obligate(s) us to make the Money Market Loan(s) for which any offer(s) are accepted, in whole or in part.

Very truly yours,

[NAME OF BANK]

Dated: ----------

By: ----------
Authorized Officer

EXHIBIT E-1

[Opinion of Fulbright & Jaworski L.L.P.,
Counsel for the Borrower]

To the Banks Referred to Below
c/o Morgan Guaranty Trust Company
of New York, as Agent
60 Wall Street
New York, New York 10260-0060

Re: CREDIT AGREEMENT DATED AS OF JULY 8, 1997, AMONG UNIVERSAL HEALTH SERVICES, INC., THE BANKS NAMED THEREIN (THE "BANKS") AND MORGAN GUARANTY TRUST COMPANY OF NEW YORK (THE "AGENT"), AS AGENT FOR SUCH BANKS

Ladies and Gentlemen:

We have acted as counsel to Universal Health Services, Inc., a Delaware corporation (the "COMPANY"), and its existing corporate Subsidiaries, in connection with (a) the Credit Agreement referred to above (the "CREDIT AGREEMENT"), which provides for the extension of loans to the Company by the Banks in an aggregate principal amount not exceeding $300,000,000 at any one time outstanding, and (b) the Guaranty Agreement dated as of July 8, 1997 among the Subsidiaries of the Company named therein and the Agent (the "GUARANTY AGREEMENT"). All terms defined in the Credit Agreement are used herein with their defined meanings unless the context otherwise requires.

In connection with our acting as counsel to the Company and its existing corporate Subsidiaries, we have examined such certificates of officers of the Company and its Subsidiaries and originals or copies certified to our satisfaction of such corporate documents and resolutions of the Company and its Subsidiaries and other corporate records as we have deemed relevant and necessary as the basis for our opinion hereinafter set forth. We have relied upon (i) such certificates of officers of the Company and its Subsidiaries with respect to the accuracy of factual matters contained therein and (ii) certain certificates of public officials.

On the basis of the foregoing, we are of the opinion that:

1. Each of the Company and its existing corporate Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and is duly qualified as a foreign corporation and in good standing in each other jurisdiction in which the conduct of its business or the ownership of its property requires such qualification.

2. Each of the Company and its existing Subsidiaries has all corporate powers required to own its properties and conduct its business as now conducted. The Company has the corporate power and authority to execute, deliver and perform the Credit Agreement and the Notes and to borrow under the Credit Agreement. The Company has taken all necessary corporate action to authorize the borrowings under the Credit Agreement and to authorize the execution, delivery and performance of the Credit Agreement and the Notes. Each of the Credit Agreement and the Notes has been duly executed and delivered by the Company and constitutes a valid and binding agreement or obligation of the Company, as the case may be, enforceable against the Company in accordance with its terms. No consent of any other Person (including stockholders of the Company) and no license, approval or authorization of, exemption by, or registration or declaration with, any governmental body is required in connection with the execution, delivery or performance by the Company, or the validity or enforceability against the Company of the Credit Agreement and the Notes.

3. The execution, delivery and performance by the Company of the Credit Agreement and the Notes and by the Subsidiaries that are party thereto of the Guaranty Agreement will not violate any provision of any existing law or regulation or the Restated Certificate of Incorporation, as amended, or By-Laws of the Company or the charter or by-laws of any such Subsidiary or, to the best of our knowledge after due inquiry, of any judgment, order, decree or award of any court, arbitrator or governmental body, any mortgage, indenture, security agreement, contract, undertaking or other agreement to which the Company or any Subsidiary is a party or that is or may be binding upon any of them or any of their respective properties or assets and of which we have knowledge and will not result in the imposition or creation of any Lien on any thereof pursuant to the provisions of any such mortgage, indenture, security agreement, contract, undertaking or other agreement to which the Company or any Subsidiary is a party or that is or may be binding upon any of them or any of their respective properties or assets and of which we have knowledge.

4. Each Subsidiary that is a party to the Guaranty Agreement has taken all necessary corporate action to authorize the execution and delivery of the Guaranty Agreement and the Guaranty Agreement has been duly executed and delivered by each such Subsidiary. The Guaranty Agreement is a valid and binding agreement of each Subsidiary party thereto enforceable against each such Subsidiary in accordance with its terms.

5. No consent of any other Person and no license, approval or authorization of, exemption by, or registration or declaration with, any governmental body is required in

connection with the execution, delivery, performance, validity or enforceability of the Guaranty Agreement.

6. To the best of our knowledge after due inquiry, except as set forth on Exhibit A hereto, and as described in the Company's Annual Report on Form 10-K for the year ended December 31, 1996, which has previously been delivered to the Banks, there are no actions, suits or proceedings pending or threatened against or affecting the Company or any Subsidiary or any of their respective properties in any court or before any arbitrator of any kind or before or by any governmental body, except actions, suits or proceedings of the character normally incident to the kind of business conducted by the Company and its Subsidiaries that (a) would not materially impair the right or ability of the Company or any Subsidiary to carry on its business substantially as now conducted and (b) would not have a material adverse effect on the consolidated financial condition of the Company and its Subsidiaries, and there are no actions, suits or proceedings pending or threatened that relate to or which in any manner draw into question the validity of any of the transactions contemplated by the Credit Agreement or the Guaranty Agreement.

7. Neither the Company nor any of its Subsidiaries is an "INVESTMENT COMPANY" or an "AFFILIATED PERSON" thereof, within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations thereunder.

The opinions set forth above are subject to the following qualifications:

(a) The enforceability of (i) the Company's obligations under the Credit Agreement and the Notes and (ii) each of the Subsidiaries obligations under the Guaranty Agreement is subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally;

(b) We express no opinion as to the availability of the equitable remedy of specific performance (other than with respect to obligations for the payment of money) or injunctive relief;

(c) With respect to permits, licenses, approvals and governmental authorizations required for the Company and the Subsidiaries to own their respective properties and conduct their respective businesses, we have relied solely upon certificates of officers of the Company and the Subsidiaries;

(d) With respect to the organization, existence, qualification and good standing of the Company's Subsidiaries, and the matters set forth in Item 6, we have, with your permission relied solely upon certificates of officers of the Company and such Subsidiaries and the opinion of Bruce R. Gilbert, General Counsel of the Company;

(e) Nothing herein shall constitute an opinion as to the laws of any jurisdiction other than the laws of the State of New York, the General Corporation Law of the State of Delaware and the Federal laws of the United States; and

(f) We express no opinion as to the applicability (and, if applicable, the effect) of Section 548 of the United States Bankruptcy Code or any comparable provision of state law or other state fraudulent conveyance laws to the questions addressed in paragraph 4 or the conclusions expressed with respect thereto.

Very truly yours,

EXHIBIT E-2

[Opinion of General Counsel of the Borrower]

[Effective Date]

To the Banks Referred to Below
c/o Morgan Guaranty Trust Company
of New York, as Agent
60 Wall Street
New York, New York 10260-0060

Fulbright & Jaworski L.L.P.
666 Fifth Avenue
New York, NY 10103

Re: CREDIT AGREEMENT DATED AS OF JULY 8, 1997, AMONG UNIVERSAL HEALTH SERVICES, INC., THE BANKS NAMED THEREIN (THE "BANKS") AND MORGAN GUARANTY TRUST COMPANY OF NEW YORK (THE "AGENT"), AS AGENT FOR SUCH BANKS

Ladies and Gentlemen:

I am General Counsel to Universal Health Services, Inc., a Delaware corporation (the "COMPANY"), and its existing corporate Subsidiaries, and I am rendering this opinion in connection with (a) the Credit Agreement referred to above (the "CREDIT AGREEMENT"), which provides for the extension of loans to the Company by the Banks in an aggregate principal amount not exceeding $300,000,000 at any one time outstanding, and (b) the Guaranty Agreement dated as of July 8, 1997 among the Subsidiaries of the Company named therein and the Agent (the "GUARANTY AGREEMENT"). All terms defined in the Credit Agreement are used herein with their defined meanings unless the context otherwise requires.

In connection with this opinion I have examined such certificates of officers of the Company and its Subsidiaries and originals or copies certified to my satisfaction of such corporate documents and resolutions of the Company and its Subsidiaries and other corporate records as I have deemed relevant and necessary as the basis for my opinion hereinafter set forth. I have relied upon (i) such certificates of officers of the Company and its Subsidiaries with respect to the accuracy of factual matters contained therein with respect to the operations and properties of the Company and its Subsidiaries and (ii) certain certificates of public officials.

On the basis of the foregoing, I am of the opinion that:

1. Each of the Company and its existing corporate Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and is duly qualified as a foreign corporation and in good standing in each other jurisdiction in which the conduct of its business or the ownership of its property requires such qualification.

2. Each of the Company and its existing Subsidiaries has all corporate powers required to own its properties and conduct its business as now conducted. The Company has the corporate power and authority to execute, deliver and perform the Credit Agreement and the Notes and to borrow under the Credit Agreement. The Company has taken all necessary corporate action to authorize the borrowings under the Credit Agreement and to authorize the execution, delivery and performance of the Credit Agreement and the Notes.

3. The execution, delivery and performance by the Company of the Credit Agreement and the Notes and by the Subsidiaries that are party thereto of the Guaranty Agreement will not violate any provision of any existing law or regulation or the Restated Certificate of Incorporation, as amended, or By-Laws of the Company or the charter or by-laws of any such Subsidiary or, to the best of my knowledge after due inquiry, of any judgment, order, decree or award of any court, arbitrator or governmental body, any mortgage, indenture, security agreement, contract, undertaking or other agreement to which the Company or any Subsidiary is a party or that is or may be binding upon any of them or any of their respective properties or assets and of which I have knowledge and will not result in the imposition or creation of any Lien on any thereof pursuant to the provisions of any such mortgage, indenture, security agreement, contract, undertaking or other agreement to which the Company or any Subsidiary is a party or that is or may be binding upon any of them or any of their respective properties or assets and of which I have knowledge.

4. Each Subsidiary that is a party to the Guaranty Agreement has taken all necessary corporate action to authorize the execution and delivery of the Guaranty Agreement and the Guaranty Agreement has been duly executed and delivered by each such Subsidiary. The Guaranty Agreement is a valid and binding agreement of each Subsidiary party thereto enforceable against each such Subsidiary in accordance with its terms.

5. No consent of any other Person and no license, approval or authorization of, exemption by, or registration or declaration with, any governmental body is required in connection with the execution, delivery, performance, validity or enforceability of the Guaranty Agreement.

6. To the best of my knowledge after due inquiry, except as described in the Company's Annual Report on Form 10-K for the year ended December 31, 1996, which has previously been delivered to the Banks, there are no actions, suits or proceedings pending or threatened against or affecting the Company or any Subsidiary or any of their

respective properties in any court or before any arbitrator of any kind or before or by any governmental body, except actions, suits or proceedings of the character normally incident to the kind of business conducted by the Company and its Subsidiaries that (a) would not materially impair the right or ability of the Company or any Subsidiary to carry on its business substantially as now conducted and (b) would not have a material adverse effect on the consolidated financial condition of the Company and its Subsidiaries, and there are no actions, suits or proceedings pending or threatened that relate to or which in any manner draw into question the validity of any of the transactions contemplated by the Credit Agreement or the Guaranty Agreement.

The opinions set forth above are subject to the following qualifications:

(a) The enforceability of (i) the Company's obligations under the Credit Agreement and the Notes and (ii) each of the Subsidiaries obligations under the Guaranty Agreement are subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally;

(b) I express no opinion as to the availability of the equitable remedy of specific performance (other than with respect to obligations for the payment of money) or injunctive relief; and

(c) I am qualified to practice law in the Commonwealth of Pennsylvania and nothing herein shall constitute an opinion as to the laws of any jurisdiction other than the laws of the Commonwealth of Pennsylvania and the federal law of the United States of America.

Very truly yours,

EXHIBIT F

OPINION OF
DAVIS POLK & WARDWELL, SPECIAL COUNSEL
FOR THE AGENT

To the Banks and the Agent
Referred to Below
c/o Morgan Guaranty Trust Company
of New York, as Agent
60 Wall Street
New York, New York 10260

Dear Sirs:

We have participated in the preparation of the Credit Agreement (the "CREDIT AGREEMENT") dated as of July 8, 1997 among Universal Health Services, Inc., a Delaware corporation (the "BORROWER"), the banks listed on the signature pages thereof (the "BANKS") and Morgan Guaranty Trust Company of New York, as Agent (the "AGENT"), and have acted as special counsel for the Agent for the purpose of rendering this opinion pursuant to Section 3.01(f) of the Credit Agreement. Terms defined in the Credit Agreement are used herein as therein defined.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as we have deemed necessary or advisable for purposes of this opinion.

Upon the basis of the foregoing, we are of the opinion that:

1. The execution, delivery and performance by the Borrower of the Credit Agreement and the Notes are within the Borrower's corporate powers and have been duly authorized by all necessary corporate action.

2. The Credit Agreement constitutes a valid and binding agreement of the Borrower and each Note constitutes a valid and binding obligation of the Borrower, in each case enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by general principles of equity.

We are members of the Bar of the State of New York and the foregoing opinion is limited to the laws of the State of New York, the federal laws of the United States of

America and the General Corporation Law of the State of Delaware. In giving the foregoing opinion, we express no opinion as to the effect (if any) of any law of any jurisdiction (except the State of New York) in which any Bank is located which limits the rate of interest that such Bank may charge or collect.

This opinion is rendered solely to you in connection with the above matter. This opinion may not be relied upon by you for any other purpose or relied upon by any other person without our prior written consent.

Very truly yours,

EXHIBIT G

ASSIGNMENT AND ASSUMPTION AGREEMENT

AGREEMENT dated as of _____, 19__ among [ASSIGNOR] (the "ASSIGNOR"), [ASSIGNEE] (the "ASSIGNEE"), UNIVERSAL HEALTH SERVICES, INC. (the "BORROWER"), MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Agent (the "AGENT") and [ISSUING BANK(S)], as Issuing Bank(s).

W I T N E S S E T H

WHEREAS, this Assignment and Assumption Agreement (the "AGREEMENT") relates to the Credit Agreement dated as of July 8, 1997 among the Borrower, the Assignor and the other Banks party thereto, as Banks, and the Agent (the "CREDIT AGREEMENT");

WHEREAS, as provided under the Credit Agreement, the Assignor has a Commitment to make Loans to the Borrower and participate in Letters of Credit in an aggregate principal amount at any time outstanding not to exceed $___,000,000;

WHEREAS, Syndicated Loans made to the Borrower by the Assignor under the Credit Agreement in the aggregate principal amount of $_____ are outstanding at the date hereof;

WHEREAS, Letters of Credit with a total amount available for drawing thereunder of $_____ are outstanding at the date hereof; and

WHEREAS, the Assignor proposes to assign to the Assignee all of the rights of the Assignor under the Credit Agreement and the other Loan Documents in respect of a portion of its Commitment thereunder in an amount equal to $_____ (the "ASSIGNED AMOUNT"), together with a corresponding portion of its outstanding Conventional Loans and Letter of Credit Liabilities, and the Assignee proposes to accept assignment of such rights and assume the corresponding obligations from the Assignor on such terms;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. Definitions. All capitalized terms not otherwise defined herein shall have the respective meanings set forth in the Credit Agreement.

SECTION 2. Assignment. The Assignor hereby assigns and sells to the Assignee all of the rights of the Assignor under the Credit Agreement and the other Loan

Documents to the extent of the Assigned Amount, and the Assignee hereby accepts such assignment from the Assignor and assumes all of the obligations of the Assignor under the Credit Agreement to the extent of the Assigned Amount, including the purchase from the Assignor of the corresponding portion of the principal amount of the Syndicated Loans made by, and Letter of Credit Liabilities of, the Assignor outstanding at the date hereof. Upon the execution and delivery hereof by the Assignor, the Assignee, the Borrower and the Agent and the payment of the amounts specified in Section 3 required to be paid on the date hereof (i) the Assignee shall, as of the date hereof, succeed to the rights and be obligated to perform the obligations of a Bank under the Credit Agreement with a Commitment in an amount equal to the Assigned Amount, and (ii) the Commitment of the Assignor shall, as of the date hereof, be reduced by a like amount and the Assignor released from its obligations under the Credit Agreement to the extent such obligations have been assumed by the Assignee. The assignment provided for herein shall be without recourse to the Assignor.

SECTION 3. Payments. As consideration for the assignment and sale contemplated in Section 2 hereof, the Assignee shall pay to the Assignor on the date hereof in Federal funds the amount heretofore agreed between them.* It is understood that facility and Letter of Credit fees accrued to the date hereof in respect of the Assigned Amount are for the account of the Assignor and such fees accruing from and including the date hereof are for the account of the Assignee. Each of the Assignor and the Assignee hereby agrees that if it receives any amount under the Credit Agreement which is for the account of the other party hereto, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

SECTION 4. Consent of the Borrower and the Agent. This Agreement is conditioned upon the consent of the Borrower, the Issuing Banks and the Agent pursuant to Section 10.06(c) of the Credit Agreement. The execution of this Agreement by the Borrower, the Issuing Banks and the Agent is evidence of this consent. Pursuant to Section 10.06(c) the Borrower agrees to execute and deliver a Note payable to the order of the Assignee to evidence the assignment and assumption provided for herein.

SECTION 5. Non-Reliance on Assignor. The Assignor makes no representation or warranty in connection with, and shall have no responsibility with respect to, the solvency, financial condition or statements of the Borrower or any of its Subsidiaries, or the validity and enforceability of the obligations of the Borrower or any of its Subsidiaries in respect of any Loan Document. The Assignee acknowledges that it has,

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*Amount should combine principal together with accrued interest and breakage compensation, if any, to be paid by the Assignee, net of any portion of any upfront fee to be paid by the Assignor to the Assignee. It may be preferable in an appropriate case to specify these amounts generically or by formula rather than as a fixed sum.

independently and without reliance on the Assignor, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and will continue to be responsible for making its own independent appraisal of the business, affairs and financial condition of the Borrower and its Subsidiaries.

SECTION 6. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 7. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

[ASSIGNOR]

By

Title:

[ASSIGNEE]

By

Title:

UNIVERSAL HEALTH SERVICES, INC.

By

Title:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By

Title:

[ISSUING BANK

By

Title:]

EXHIBIT H

GUARANTY AGREEMENT

AGREEMENT dated as of July 8, 1997 among each of the Guarantors listed on the signature pages hereof under the caption "GUARANTORS" and each Person that shall, at any time after the date hereof, become a Guarantor hereunder (individually a "GUARANTOR" and collectively the "GUARANTORS") and Morgan Guaranty Trust Company of New York, as Agent.

W I T N E S S E T H :

WHEREAS, Universal Health Services, Inc., a Delaware corporation (the "BORROWER"), of which each of the Guarantors is a Subsidiary, has entered into a Credit Agreement (as the same may be amended from time to time, the "CREDIT AGREEMENT") dated as of July 8, 1997 with the banks listed on the signature pages thereof (the "BANKS") and Morgan Guaranty Trust Company of New York, as Agent, pursuant to which the Borrower is entitled, subject to certain conditions, to borrow up to $300,000,000 which amount may be increased under certain conditions to $400,000,000;

WHEREAS, the Credit Agreement provides, among other things, that one condition to its effectiveness is the execution and delivery by the Borrower's Subsidiaries of this Agreement; and

WHEREAS, in conjunction with the transactions contemplated by the Credit Agreement and in consideration of the financial and other support that the Borrower has provided, and such financial and other support as the Borrower may in the future provide, to the Guarantors, and in order to induce the Banks and the Agent to enter into the Credit Agreement and to make Loans thereunder, the Guarantors are willing to guarantee the obligations of the Borrower under the Credit Agreement and the Notes.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Terms defined in the Credit Agreement and not otherwise defined herein are used herein as therein defined. In addition the following term, as used herein, has the following meaning:

"OBLIGATIONS" means (i) all obligations of the Borrower in respect of principal of and interest on the Loans and the Letter of Credit Liabilities and (ii) all renewals or extensions of the foregoing, in each case whether now outstanding or hereafter arising; provided that the foregoing shall not constitute Obligations for purposes hereof to the extent the principal amount thereof outstanding at the time enforcement hereof is sought exceeds $225,000,000. The Obligations shall include, without limitation, any interest, costs, fees and expenses which accrue on or with respect to any of the foregoing, whether before or after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization by the Borrower, and whether or not allowed or allowable as a claim in any such proceeding, any such interest, costs, fees and expenses that would have accrued thereon or with respect thereto but for the commencement of such case, proceeding or other action.

ARTICLE II

The Guarantee

SECTION 2.01. The Guarantee. Subject to Section 2.03, the Guarantors hereby unconditionally, irrevocably and jointly and severally guarantee to the Banks and the Agent, and to each of them, the due and punctual payment of all Obligations as and when the same shall become due and payable, whether at maturity, by declaration or otherwise, according to the terms thereof. In case of failure by the Borrower punctually to pay any Obligation, the Guarantors, subject to Section 2.03, hereby unconditionally agree to cause such payment to be made punctually as and when the same shall become due and payable, whether at maturity or by declaration or otherwise, and as if such payment were made by the Borrower.

SECTION 2.02. Guarantees Unconditional. The obligations of the Guarantors under this Article II shall be unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by:

(a) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of the Borrower under the Credit Agreement or the Notes by operation of law or otherwise;

(b) any modification or amendment of or supplement to the Credit Agreement;

(c) any modification, amendment, waiver, release, non-perfection or invalidity of any direct or indirect security, or of any guarantee or other liability of any third party, for any obligation of the Borrower under the Credit Agreement or the Notes;

(d) any change in the corporate existence, structure or ownership of the Borrower or its Subsidiaries, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Borrower or its Subsidiaries or their assets or any resulting release or discharge of any obligation of the Borrower contained in the Credit Agreement or the Notes;

(e) the existence of any claim, set-off or other rights which the Guarantors may have at any time against the Borrower, the Agent or any Bank or any other Person, whether or not arising in connection with any of the Credit Agreement or the Notes; provided that nothing herein shall prevent the assertion of any such claim by separate suit or compulsory counterclaim;

(f) any invalidity or unenforceability relating to or against the Borrower for any reason of any of the Credit Agreement, or any provision of applicable law or regulation purporting to prohibit the payment by the Borrower of the principal of or interest on any Note or any other amount payable by the Borrower under the Credit Related Agreement or the Notes; or

(g) any other act or omission to act or delay of any kind by the Borrower, the Agent, any Bank or any other Person or any other circumstance whatsoever that might, but for the provisions of this paragraph, constitute a legal or equitable discharge of or defense to the obligations of the Guarantors under this Article II.

SECTION 2.03. Limit of Liability. Each Guarantor shall be liable under this Agreement only for amounts aggregating up to the largest amount that would not render its obligations hereunder subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable state law.

SECTION 2.04. Discharge; Reinstatement in Certain Circumstances. The Guarantors' obligations under this Article II shall remain in full force and effect until either (i) the condition specified in Section 5.15(b) of the Credit Agreement has been met or (ii) the Commitments are terminated and all principal of and interest on the Notes and all other amounts payable by the Borrower under the Credit Agreement shall have been paid in full. If at any time any payment of the principal of or interest on any Note or any other amount payable by the Borrower under the Credit Agreement is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of the Borrower or otherwise, the Guarantors' obligations under this Article II with respect

to such payment shall be reinstated at such time as though such payment had become due but had not been made at such time.

SECTION 2.05. Waiver of Notice. The Guarantors irrevocably waive acceptance hereof, presentment, demand, protest and any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against the Borrower or any other Person.

SECTION 2.06. Waiver of Subrogation. The Guarantors irrevocably waive any and all rights to which they may be entitled, by operation of law or otherwise, upon making any payment hereunder to be subrogated to the rights of the payee against the Borrower with respect to such payment or otherwise to be reimbursed, indemnified or exonerated by the Borrower in respect thereof.

SECTION 2.07. Stay of Acceleration. If acceleration of the time for payment of any amount payable by the Borrower under the Credit Agreement is stayed upon the insolvency, bankruptcy or reorganization of the Borrower, all such amounts otherwise subject to acceleration under the terms of the Credit Agreement shall nonetheless be payable by the Guarantors hereunder forthwith on demand by the Agent made at the request of the Required Banks.

ARTICLE III

MISCELLANEOUS

SECTION 3.01. Notices. Unless otherwise specified herein, all notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex, facsimile transmission or similar writing) and shall be given to such party at its address or telex or facsimile number set forth on the signature pages hereof or such other address or telex or facsimile number as such party may hereafter specify for the purpose by notice to the to the other party hereto. Each such notice, request or other communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified in or pursuant to this Section 4.01 and the appropriate answerback is received, (ii) if given by facsimile transmission, when such facsimile is transmitted to the facsimile transmission number specified in or pursuant to this Section 4.01 and telephonic confirmation of receipt thereof is received, (iii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iv) if given by any other means, when delivered at the address specified in this Section 4.01.

SECTION 3.02. No Waiver. No failure or delay by Agent in exercising any right, power or privilege under this Agreement or any other Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further

exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein and therein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 3.03. Amendments and Waivers. Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and is signed by the Guarantors and the Agent with the prior written consent of the Required Banks under the Credit Agreement.

SECTION 3.04. Governing Law; Submission to Jurisdiction; Waiver of a Jury Trial. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

EACH GUARANTOR HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW YORK STATE COURT SITTING IN NEW YORK CITY FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH GUARANTOR IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. EACH GUARANTOR AND THE AGENT HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 3.05. Successors and Assigns. This Agreement is for the benefit of the Agent and the Banks and their respective successors and assigns and in the event of an assignment of the Loans, the Notes or other amounts payable under the Credit Agreement, the rights hereunder, to the extent applicable to the indebtedness so assigned, shall be transferred with such indebtedness. All the provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 3.06. Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, and all of which taken together shall constitute a single instrument, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when the Agent shall have received a counterpart hereof signed by the each Guarantor listed on the signature page hereof and when the Credit Agreement shall become effective in accordance with its terms. Thereafter, upon execution and delivery of

a counterpart of this Agreement on behalf on any other Guarantor, this Agreement shall become effective with respect to such Guarantor as of the date of such delivery.

SECTION 3.07. Severability. If any provision of this Guaranty Agreement is prohibited, unenforceable or not authorized, or to the extent that any portion of the Obligations hereunder may be voidable or subject to avoidance, in any jurisdiction, such provision or the Obligation shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability, non-authorization or portion so subject without invalidating or limiting the remaining provisions hereof or remaining portion of the Obligations or affecting the validity, enforceability or legality of such provision or such portion of the Obligations in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the date first above written.

MORGAN GUARANTY TRUST COMPANY OF
NEW YORK, as Agent

By

Name:
Title:

60 Wall Street
New York, New York 10260-0060
Attention: Loan Department
Telex number: 177615 MGT
Facsimile number: (212) 648-5018

GUARANTORS

AIKEN REGIONAL MEDICAL CENTERS, INC.
THE ARBOUR, INC.
ARBOUR ELDER SERVICES, INC.
ASC OF CANTON, INC.
ASC OF CLARKSTON, INC.
ASC OF CORONA, INC.
ASC OF LAS VEGAS, INC.
ASC OF LITTLETON, INC.
ASC OF MIDWEST CITY, INC.
ASC OF NEW ALBANY, INC.
ASC OF PALM SPRINGS, INC.
ASC OF PONCA CITY, INC.
ASC OF SPRINGFIELD, INC.
ASC OF ST. GEORGE
THE BRIDGEWAY, INC.
CHILDREN'S HOSPITAL OF McALLEN, INC.
COMPREHENSIVE OCCUPATIONAL AND
CLINICAL HEALTH, INC.
DEL AMO HOSPITAL, INC.
FOREST VIEW PSYCHIATRIC HOSPITAL, INC.
GLEN OAKS HOSPITAL, INC.
HEALTH CARE FINANCE & CONSTRUCTION
CORP.
HRI CLINICS, INC.
HRI HOSPITAL, INC.
INTERNAL MEDICINE ASSOCIATES OF
DOCTORS' HOSPITAL, INC.

LA AMISTAD RESIDENTIAL TREATMENT CENTER, INC.
McALLEN MEDICAL CENTER, INC.
MERIDELL ACHIEVEMENT CENTER, INC.
MERION BUILDING MANAGEMENT, INC.
NORTHWEST TEXAS HEALTHCARE SYSTEM, INC.
PUEBLO MEDICAL CENTER, INC.
RELATIONAL THERAPY CLINIC, INC.
RIVER CREST HOSPITAL, INC.
RIVER OAKS, INC.
RIVER PARISHES INTERNAL MEDICINE, INC.
SPARKS FAMILY HOSPITAL, INC.
TONOPAH HEALTH SERVICES, INC.
TURNING POINT CARE CENTER, INC.
TWO RIVERS PSYCHIATRIC HOSPITAL, INC.
UHS HOLDING COMPANY, INC.
UHS INTERNATIONAL, LIMITED
UHS LAS VEGAS PROPERTIES, INC.
UHS OF AUBURN, INC.
UHS OF BELMONT, INC.
UHS OF BETHESDA, INC.
UHS OF COLUMBIA, INC.
UHS OF De La RONDE, INC.
UHS OF DELAWARE, INC.
UHS OF D.C., INC.
UHS OF FAYETVILLE, INC.
UHS OF FLORIDA, INC.
UHS OF FULLER, INC.
UHS OF ILLINOIS, INC.
UHS OF MAITLAND, INC.
UHS OF MANATEE, INC.
UHS OF NEW ORLEANS, INC.
UHS OF NEW YORK, INC.
UHS OF ODESSA, INC.
UHS OF PENNSYLVANIA, INC.
UHS OF PLANTATION, INC.
UHS OF RECOVERY FOUNDATION, INC.
UHS OF RIVER PARISHES, INC.
UHS OF RIVERTON, INC.
UHS OF SHREVEPORT, INC.
UHS OF SPRINGFIELD, INC.
UHS OF TIMBERLAWN, INC.
UHS OF VERMONT, INC.
UHS OF WALTHAM, INC.
UHSR CORPORATION
UNIVERSAL HEALTH NETWORK, INC.

UNIVERSAL HEALTH PENNSYLVANIA
PROPERTIES, INC.
UNIVERSAL HEALTH RECOVERY CENTERS,
INC.
UNIVERSAL HEALTH SERVICES OF CEDAR
HILL, INC.
UNIVERSAL HEALTH SERVICES OF
CONCORD, INC.
UNIVERSAL HEALTH SERVICES OF INLAND
VALLEY, INC.
UNIVERSAL HEALTH SERVICES OF
NEVADA, INC.
UNIVERSAL HMO, INC.
UNIVERSAL TREATMENT CENTERS, INC.
VICTORIA REGIONAL MEDICAL CENTER,
INC.
WELLINGTON PHYSICIAN ALLIANCES, INC.
WELLINGTON REGIONAL MEDICAL CENTER
INCORPORATED

By

Name:
Title:

c/o Universal Health Services, Inc.
367 South Gulph Road
King of Prussia, PA 19406
Facsimile number: (610) 768-3318

EXHIBIT 10.2

EXECUTION COPY

AGREEMENT OF

LIMITED PARTNERSHIP

OF

DISTRICT HOSPITAL PARTNERS, L.P.
(a District of Columbia Limited Partnership)

by and among

UHS of D.C., Inc.

and

THE GEORGE WASHINGTON UNIVERSITY

Dated as of April 2, 1997

LIMITED PARTNERSHIP AGREEMENT

OF

DISTRICT HOSPITAL PARTNERS, L.P.

This LIMITED PARTNERSHIP AGREEMENT (the "Agreement") is made and entered into as of April 2, 1997 (the "Effective Date"), by and among UHS of D.C., Inc., a Delaware corporation, as the general partner and a limited partner ("UHS"), and THE GEORGE WASHINGTON UNIVERSITY, a congressionally chartered institution in the District of Columbia, as a limited partner (the "University"). The parties to this Agreement shall also be referred to individually as a "Partner" and collectively as the "Partners."

R E C I T A L S

WHEREAS, The George Washington University is a highly regarded university and academic medical center that has among its activities and affiliates The George Washington University Hospital (the "Hospital"), The George Washington University School of Medicine and Health Sciences (the "School of Medicine"), and The George Washington University faculty practice plan (the "Medical Faculty Associates").

WHEREAS, The George Washington University, through its School of Medicine and Medical Faculty Associates, trains physicians and allied health professionals through a program of classroom and clinical education that meets high academic standards.

WHEREAS, The Hospital is a 501-bed tertiary care hospital licensed as an acute care hospital in the District of Columbia, founded in 1944 and maintaining a strong commitment to community service.

WHEREAS, UHS is an affiliate of Universal Health Services, Inc. ("UHS Parent"), a nationally known health care organization that has expertise in managing and operating hospitals, developing regional networks, and providing efficient, cost-effective community health care.

WHEREAS, UHS and UHS Parent recognize the Hospital as an important asset of the District of Columbia community, recognize the academic mission and charitable purposes of the University and the School of Medicine, recognize the Hospital's significant contributions to the community, and have committed to provide community service.

WHEREAS, the Partners intend to bring their health care resources together in order to create efficiencies, compete effectively in the health care market, provide affordable, high quality health care services in the community, and enhance the graduate and undergraduate medical education programs of the School of Medicine as well as the Medical Faculty

Associates and attending physicians. An ongoing clinical and academic affiliation between the parties will meet their respective objectives by improving the training of health care professionals and the delivery of high quality health care services in the community.

WHEREAS, the Partners desire to form a limited partnership under the laws of the District of Columbia for the purposes and on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the Partners agree as follows:

1. Definitions. When used in this Agreement, the following terms shall have the meanings set forth below:

1.1. "Act" means the District of Columbia Uniform Limited Partnership Act of 1987, being District of Columbia Code Section 41-401 et seq., as amended.

1.2. "Adjusted Capital Account Deficit" means, with respect to any Partner, the deficit balance, if any, in such Partner's Capital Account as of the end of the relevant Fiscal Year, after giving effect to the following adjustments:

(i) Credit to such Capital Account any amounts which such Partner is obligated to restore pursuant to any provision of this Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(ii) Debit to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6) of the Treasury Regulations.

The foregoing definition of "Adjusted Capital Account Deficit" is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations and shall be interpreted consistently therewith.

1.3. "Agreement" means this Agreement of Limited Partnership, as amended from time to time.

1.4. "Ancillary Agreements" means the Academic Affiliation Agreement, the HMO Hospital Services Agreement, the Guaranty Agreement, the Trademark License Agreement, the Parking Rental Agreement, the Management Agreement, and the Ground Lease which the Partners intend to execute as of the Transfer Date.

1.5. "Assignee" means a Person acquiring a Transferred Interest as set forth in Section 13.1.

1.6. "Bankruptcy" means the institution of any proceedings under federal or state laws for relief of debtors, including filing of a voluntary or involuntary petition in bankruptcy or the adjudication of a Person as insolvent or bankrupt, or the assignment of a Person's property for the benefit of creditors, or the appointment of a receiver, trustee or a conservator of any substantial portion of the Person's assets or the seizure by a sheriff, receiver, trustee or conservator of any substantial portion of the Person's assets, and the failure, in the case of any of these events, to obtain the dismissal of the proceeding or removal of the conservator, receiver or trustee within thirty (30) days of the event.

1.7. "Capital Account" means, for any given Partner, an account determined and maintained throughout the full term of the Partnership for such Partner in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv). Subject to and in accordance with said Regulation, each Partner's Capital Account balance at any time shall equal such Partner's Capital Contribution increased by the Partner's allocable share of Partnership Profits, and decreased by Distributions made to the Partner by the Partnership and the Partner's allocable share of Partnership Losses. Upon the contribution to or Distribution from the Partnership of property, including money, in connection with the admission to or retirement from the Partnership of a Partner, respectively, the assets of the Partnership shall be revalued on the books of the Partnership to reflect the fair market value of such assets at the time of the occurrence of such event, and the Capital Accounts of the Partners shall be adjusted in the manner provided in Treasury Regulation Section 1.704-1(b)(2)(iv)(f).

1.8. "Capital Contribution" means, for any given Partner, the aggregate of the money and the fair market value of any property contributed by the Partner to the capital of the Partnership (net of any liability secured by such contributed property that the Partnership assumes or takes subject to as primary obligor) pursuant to Section 3 hereof.

1.9. "Capital Plan" means the plan described in Section 3.7.2.

1.10. "Centers of Emphasis" means the six (6) clinical programs at the Hospital that the University and UHS have identified as areas of special emphasis and that are more fully described in Section 3.8.

1.11. "Chief Executive Officer" means an employee of either UHS or an affiliate of UHS to manage, supervise and administer the day-to-day operations of the Partnership.

1.12. "Code" means the Internal Revenue Code of 1986, as amended, or corresponding provisions of any successor statute.

1.13. "Depreciation" means, for each Fiscal Year, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable for federal income tax purposes with respect to an asset for such Fiscal Year, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Fiscal Year, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year bears to such beginning adjusted tax basis; provided, however, that if the adjusted basis for federal income tax purposes of an asset at the beginning of such Fiscal Year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the General Partner.

1.14. "Director" means a Person appointed to serve on the Partnership Board.

1.15. "Distribution" means the aggregate of the money or the fair market value of any property distributed to Partners with respect to their Interests in the Partnership (net of any liability secured by such property that the Partner assumes or takes subject to as primary obligor), other than payments to Partners for services or as repayment of loans or advances.

1.16. "Fiscal Year" means the period defined in Section 6.1.

1.17. "General Partner" means initially UHS and includes any successor, substitute or additional Person admitted to the Partnership as a General Partner as provided in Section 13 of this Agreement.

1.18. "Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except the initial Gross Asset Value of any asset contributed by a Partner to the Partnership shall be the gross fair market value of such asset, as determined by the contributing Partner and the General Partner, and the Gross Asset Value of any asset distributed to any Partner shall be adjusted to equal its gross fair market value as of the date of distribution, as determined by the General Partner and the distributee partner, provided that the initial Gross Asset Values of the assets contributed to the Partnership pursuant to Sections 3.1(b) and 3.1(c) shall be as set forth in such Sections.

1.19. "Hospital" means the acute care hospital inpatient facility located at 901 23rd Street, N.W., Washington, D.C., or as renovated or relocated as described in Section 3.7.2.

1.20. "Initial Capital Loan" means the initial capital loan of UHS to the Partnership described in Section 3.1(c).

1.21. "Interest" means the entire ownership interest of a Partner in the Partnership at any particular time, including the right of such Partner to any and all benefits to

which a Partner may be entitled as provided in this Agreement, subject to the obligations of such Partner to comply with all of the terms and conditions of this Agreement.

1.22. "Letter of Credit" means the irrevocable bank letter of credit in the amount of Forty Million Dollars ($40,000,000) described in Section 3.9, as the same may be renewed or modified.

1.23. "Limited Partner" means initially UHS and the University, and includes any successor, substitute or additional Person admitted to the Partnership as a limited partner as provided in Section 13 of this Agreement.

1.24. "Major Decisions" means any of the actions of the Partnership requiring approval of a majority of the Directors appointed by UHS and a majority of the Directors appointed by the University, as set forth in Section 7.3.

1.25. "Management Agreement" means the agreement between UHS or an affiliate of UHS and the Partnership for the provision of management services to the Hospital which the Partners intend to execute as of the Transfer Date.

1.26. "Nonrecourse Deductions" has the meaning set forth in Section 1.704- 2(b)(1) and 1.704-2(c) of the Treasury Regulations.

1.27. "Nonrecourse Liability" has the meaning set forth in Section 1.704- 2(b)(3) of the Treasury Regulations.

1.28. "Partner" means any General Partner or Limited Partner of the Partnership.

1.29. "Partner Nonrecourse Debt" has the same meaning as the term "partner nonrecourse debt" set forth in Section 1.704-2(b)(4) of the Treasury Regulations.

1.30. "Partner Nonrecourse Debt Minimum Gain" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Section 1.704-2(i)(3) of the Treasury Regulations.

1.31. "Partner Nonrecourse Deductions" has the same meaning as the term "partner nonrecourse deductions" set forth in Sections 1.704-2(i)(1) and 1.704-2(i)(2) of the Treasury Regulations.

1.32. "Partnership" means District Hospital Partners, L.P., the limited partnership organized pursuant to this Agreement.

1.33. "Partnership Board" means the board of directors of the Partnership which board shall serve in an advisory capacity to the Partnership and the Partners, except for those Major Decisions requiring a vote of the Partnership Board under Section 7.3 hereof.

1.34. "Partnership Minimum Gain" has the meaning set forth in Sections 1.704-2(b)(2) and 1.704-2(d) of the Treasury Regulations.

1.35. "Percentage Interest" means, for purposes of allocating all items of Profits and Losses among the Partners, a ratio, expressed in percentages, reflecting a Partner's Interest in the Partnership relative to the Interests of other Partners. The initial Percentage Interests of the Partners are as set forth on Exhibit 1.35 hereto.

1.36. "Person" means any natural person, partnership, corporation, association, trust, governmental agency or other legal entity.

1.37. "Profits" and "Losses" means, for each Fiscal Year or other period, the Partnership's taxable income or loss for such year or period, determined in accordance with Section 703(a) of the Code (including in such taxable income or loss all items of income, gain, loss or deduction required to be stated separately), increased by any income of the Partnership that is exempt from federal income tax, and decreased by expenditures of the Partnership described in Section 705(a)(2)(B) of the Code or treated as Section 705(a)(2)(B) expenditures pursuant to Section 1.704-1(b)(2)(iv) of the Treasury Regulations. Profits and Losses, depreciation, depletion, amortization, gain, and loss with respect to any property (including intangibles) that under Sections 1.704-1(b)(2)(iv)(d) and (b)(2)(iv)(f) of the Treasury Regulations is properly reflected on the books of the Partnership at a book value that differs from the adjusted tax basis of such property shall be determined based on the book value of such property, in accordance with the principles of Section 1.704-1(b)(2)(iv)(g) of the Treasury Regulations. Any items which are specially allocated pursuant to the provisions of Sections 5.4 and 5.5 shall not be taken into account in computing Profits and Losses.

1.38. "Project Fund" means the account established for the purposes set forth in Section 3.7.2.

1.39. "Purposes" means the business and purposes of the Partnership as described in Section 2.4.

1.40. "Service Area" of the Partnership means the area described in Exhibit 1.40 to be attached hereto.

1.41. "Substitute Partner" means an Assignee admitted as a Partner as set forth in Section 13.1.

1.42. "UHS Contribution" means the initial Capital Contribution of UHS as set forth in Section 3.1(c).

1.43. "Transfer" means any voluntary or involuntary sale, assignment, transfer, exchange, lease, mortgage, charge, hypothecation, pledge or other conveyance or encumbrance, including any transfer by operation of law or otherwise.

1.44. "Transfer Date" means the Closing Date set forth in the Contribution Agreement between the University and the Partnership.

1.45. "Transferred Interest" means an Interest that is subject to a Transfer as set forth in Section 13.1.

1.46. "Treasury Regulation" means those regulations promulgated pursuant to the Code.

1.47. "University Contribution" means the University's initial Capital Contribution as set forth in Section 3.1(b).

1.48. "University Contribution Agreement" means the Contribution Agreement between the University and the Partnership to be executed as of the Transfer Date.

2. Organization of Partnership.

2.1. Formation.

(a) The Partners hereby form the Partnership pursuant to the provisions of the Act, which shall govern the relationship of the Partners except as expressly provided to the contrary herein;

(b) The Partners shall take any and all actions as may from time to time be required under the laws of the District of Columbia to give effect to the Partnership and to maintain it in good standing; and

(c) Except as provided herein, the Partnership shall be managed by the General Partner of the Partnership, having the powers specified in Section 7.1 hereof and subject to the limitations set forth in this Agreement.

2.2. Name. The name of the Partnership shall be District Hospital Partners, L.P.

2.3. Principal Place of Business. The principal place of business of the Partnership shall be at the Hospital, which as of the date hereof is located at 901 23rd Street,

N.W., Washington, D.C. The Partnership shall continuously maintain a principal office in the District of Columbia, which office shall be located at its principal place of business. The Partnership may also have such other offices or places of business as the Partners may from time to time determine.

2.4. Purposes. The Purposes of the Partnership shall be (a) to own and operate an acute care hospital in the District of Columbia known as The George Washington University Hospital, (b) to provide or arrange for the provision of health care services or related services, (c) to furnish uncompensated and charity health care, (d) to develop and maintain an integrated delivery system, (e) to develop Centers of Emphasis, (f) to support the academic programs of the School of Medicine and the Medical Faculty Associates including research and teaching and (g) to engage in any other business and do any and all other acts and things agreed upon by the Partners and consistent with the foregoing.

2.5. Term. The term of the Partnership shall commence as of the Effective Date and shall continue for fifty (50) years (the "Term"), unless dissolved, liquidated and terminated sooner pursuant to the provisions of Section 14 hereof. At the end of the fifty (50) year term, UHS shall have right to extend the Term for an additional five (5) year renewal term and four (4) separate additional five (5) year renewal terms thereafter, provided that UHS provides the University with eighteen (18) months written notice prior to the end of the Term and each applicable renewal term thereafter.

2.6. Compliance With Securities Laws. Each Partner represents and warrants that it has acquired or is acquiring its Interest for its own account, and not with a view toward the resale thereof. Each of the parties hereto is fully aware and acknowledges that the offer and sale of the Interest which it has acquired or is acquiring has not been registered under the Securities Act of 1933, as amended, nor registered or qualified under the securities laws of any state or the District of Columbia. Each Partner acknowledges and agrees that its Interest may not be sold, transferred, pledged, or hypothecated without registration under such acts or an opinion of legal counsel that such transfer may be legally effected without such registration. Additional restrictions on Transfers of Interests are set forth in this Agreement.

2.7. Resident Agent. The name and address of the Partnership's resident agent in the District of Columbia shall be C T Corporation System, 1025 Vermont Avenue, N.W., Washington, D.C. 20005, until changed by the General Partner.

3. Capitalization of Partnership.

3.1. Description, Timing and Value of Initial Capital Contributions.

(a) Provided the conditions set forth in Subsection (e) below are satisfied, each Partner shall make its initial Capital Contribution to the Partnership on the Transfer Date unless otherwise mutually extended by the Partners.

(b) The University shall transfer and assign to the Partnership, as its initial Capital Contribution (the "University Contribution"), all of its rights, title and interest in and to the Assets as defined in the University Contribution Agreement, subject to the obligations and liabilities described in the University Contribution Agreement.

(c) UHS shall provide to the Partnership's Project Fund, as its initial capital commitment, Eighty Million Dollars ($80,000,00). Seventy-two Million Dollars ($72,000,000) of such initial capital commitment shall be in the form of a Capital Contribution (the"UHS Contribution") and the remaining eight million dollars ($8,000,000) shall be in the form of an initial capital loan (the "Initial Capital Loan"). The UHS Contribution shall be allocated between UHS's Interests as General Partner and as a Limited Partner in accordance with the Percentage Interests of UHS set forth in Exhibit 1.35. Forty Million Dollars ($40,000,000) shall be delivered by wire transfer of immediately available funds to the Partnership's account as of the Transfer Date. The remaining Forty Million Dollars ($40,000,000) of UHS' capital commitment will be provided from time to time as required to fund capital expenditures in accordance with the Capital Plan and shall be secured by the Letter of Credit. The UHS Contribution and Initial Capital Loan shall be used only for the Project Fund.

(d) UHS shall enter into a loan agreement with the Partnership whereby UHS shall make the Initial Capital Loan. The Initial Capital Loan amount shall be Eight Million Dollars ($8,000,000) and shall be added to the Project Fund. The Initial Capital Loan shall be on a long term basis and shall bear interest at a rate of twelve percent (12%) per annum to be paid by the Partnership only to the extent that the Partnership has Profits.

(e) On or before the Transfer Date, the Partners shall take the following actions and/or ensure that the following events occur and such actions and events shall be conditions precedent to either Partner's obligation to contribute its initial Capital Contribution:

(i) The University and the Partnership shall have executed and performed all of the terms, covenants, representations and warranties set forth in the University Contribution Agreement, as well as the terms, covenants, representations and warranties set forth in this Agreement and the exhibits and schedules attached hereto.

(ii) All parties shall have executed and delivered the Ancillary Agreements.

(iii) UHS shall have delivered to the Partnership the Loan Agreement.

(iv) The Partnership shall have executed and/or delivered or caused to be delivered to each Partner the following:

a. A certificate of the General Partner certifying that all consents and approvals that are required from any person, entity, governmental body or regulatory agency

in connection with the consummation of the transactions contemplated by this Agreement by the Partnership have been obtained;

b. A certificate of the corporate secretary of the General Partner certifying (i) the incumbency of the officers of the General Partner from the Effective Date to the Transfer Date and bearing the authentic signatures of all such officers who shall execute this Agreement and any additional documents contemplated by this Agreement; and (ii) the minutes of the meeting of the shareholders of UHS and the resolutions of the Board of Directors of the General Partner authorizing the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, including the transfer of the UHS Contribution, and that such minutes and resolutions have not been amended or rescinded and remain in full force and effect;

c. A favorable original certificate of good standing of the Partnership issued by the District of Columbia Department of Consumer and Regulatory Affairs; and

d. Such other instruments, certificates, consents or other documents as may be reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof.

(v) UHS shall have executed and/or delivered or caused to be delivered to the Partnership the following:

a. A favorable original certificate of good standing issued by the Delaware Secretary of State;

b. A certificate of the President or any Vice President of UHS certifying to the Partnership (i) the accuracy of the representations and warranties set forth in Section 4 hereof and (ii) that all consents and approvals that are required from any person, entity, governmental body or regulatory agency in connection with (a) the transfer of the UHS Contribution to the Partnership's Project Fund and (b) the execution, delivery and performance of the Management Agreement;

c. A certificate of the corporate Secretary of UHS certifying to the Partnership (i) the incumbency of the officers of UHS from the Effective Date to the Transfer Date and bearing the authentic signatures of all such officers who shall execute this Agreement and any additional documents contemplated by this Agreement; (ii) as to the resolutions of the Board of Directors of UHS authorizing (a) the transfer of the UHS Contribution by UHS to the Partnership, (b) the execution, delivery and performance of this Agreement and the Ancillary Agreements by UHS, and (c) the execution, delivery and performance of the Ancillary Agreements; (iii) that such resolutions have not been amended or rescinded and remain in full force and effect; and (iv) the current Articles of Incorporation and Bylaws of UHS;

d. Copies of the documents executed and/or delivered in connection with the transfer of the UHS Contribution by UHS to the Partnership which are identified in Exhibit 3.1(d)(v)d attached hereto, and

e. Such other certificates, consents, endorsements, assignments, assumptions, evidences, and other documents or instruments as may be reasonably requested by the Partnership in order to transfer the UHS Contribution to the Partnership's Project Fund, to carry out the transaction contemplated by this Agreement and to comply with the terms hereof.

(vi) The University shall have executed and/or delivered or caused to be delivered to the Partnership and UHS the following:

a. A certificate of the corporate secretary of the University certifying (i) the incumbency of the officers of the University from the Effective Date to the Transfer Date and bearing the authentic signatures of all such officers who shall execute this Agreement and any additional documents contemplated by this Agreement; (ii) the minutes of the meeting of the Trustees of the University and the resolutions of the Board of Trustees of the University authorizing the execution and delivery of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby, including the transfer of the University Contribution; (iii) that such minutes and resolutions have not been amended or rescinded and remain in full force and effect; and (iv) the current Charter and Bylaws of the University;

b. A favorable original certificate of good standing of the University issued by the District of Columbia Department of Consumer and Regulatory Affairs or an applicable alternative certificate;

c. Such other instruments, certificates, consents or other documents as may be reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof; and

d. Copies of the documents executed and/or delivered in connection with the transfer of the University Contribution to the Partnership, which are identified in the University Contribution Agreement.

(vii) On the Transfer Date, no action or proceeding shall be pending or threatened wherein an unfavorable judgment, decree or order would, in the reasonable opinion of legal counsel for either Partner, prevent or make materially unfavorable the carrying out of this Agreement, or would cause the transactions contemplated by this Agreement to be rescinded. In the event of the receipt of any communication from any department or agency of government or any other notice (a copy of which communication or notice shall be promptly delivered to the Partnership and each Partner) prior to the closing with regard to the

transactions contemplated by this Agreement, which communication or notice shall, in the reasonable opinion of legal counsel, threaten such an action or proceeding, either Partner may terminate this Agreement by giving thirty (30) days advance written notice to the other Partner. During such thirty (30) day period, UHS and the University shall meet and confer in good faith to attempt to resolve the issue which is the subject of the action or proceeding. In the event the parties are unable to do so, or fail to agree to extend the thirty (30) day period, either Partner may terminate this Agreement by giving written notice to the other Partner and all parties shall thereupon be released from any and all liability related to this Agreement.

(f) In the event that each of the conditions precedent set forth in Subsection (e) above shall not have been satisfied by the Transfer Date, the Partners shall not be required to make the University Contribution or the UHS Contribution and the Partnership shall be dissolved, pursuant to the provisions of Section 14.

3.2. Additional Limited Partners. Subject to the provisions of Section 7.3 and Section 13, the Partnership may from time to time elect to offer limited partnership interests to other Persons, as permitted by law. Any Limited Partner admitted to the Partnership after the execution of this Agreement shall make an initial Capital Contribution in an amount and at a time as determined by the Partnership in exchange for its Limited Partnership Interest. A new Limited Partner's initial Capital Contribution under this Section 3.2 shall, unless otherwise determined by the Partnership, equal the following amount:

(i) the Percentage Interest of the new Partner, multiplied by

(ii) the fair market value of all the Partnership's assets (including any new Limited Partner's initial Capital Contribution) as of the effective date of admission.

3.3. Additional Capital Requirements. It shall be the general policy of the Partnership that all monies necessary to carry on the activities of the Partnership shall be obtained first through funds derived from the operation of the Partnership. To the extent funds derived from the Partnership are not sufficient, it is the intent of the Partners that the Partners will contribute an additional Forty-Five Million Dollars ($45,000,000) to the Partnership in excess of the University Contribution, the UHS Contribution and the Initial Capital Loan for Hospital operations over a ten (10) year period following the Transfer Date. Additional capital including such Forty-five Million Dollars ($45,000,000) will, at the election of the General Partner, be, in whole or in part, in the form of additional Capital Contributions or capital loans as described in Section 3.4 hereof or loans from non-Partners. No Partner shall be required to provide additional capital to the Partnership for the Capital Plan until the Project Fund is fully depleted.

3.4. Capital Contributions and Capital Loans. Partners may be required to make additional Capital Contributions to the Partnership in the amounts and at the times determined by the General Partner. No Partner may make a voluntary Capital Contribution

without the consent of the General Partner. All additional Capital Contributions shall be made in accordance with each Partner's Percentage Interest in the Partnership, unless the Partners agree otherwise. In the event a Partner fails to make an additional Capital Contribution, the General Partner shall make the Capital Contribution in accordance with Sections 3.4 and 3.6. The Partnership may borrow funds from any of the Partners on reasonable terms and conditions approved by the Partners at the time such loan or advance is obtained, subject to Section 7.3. Such loans or advances shall not increase or otherwise affect the Capital Accounts of any of the parties hereto. Funds loaned by a Partner to the Partnership for purposes of satisfying the need for an additional Capital Contribution shall accrue interest at the prime rate as determined from time to time (as published in the Wall Street Journal) plus two percent (2%) per annum and shall be repaid prior to any Distribution.

3.5. No Withdrawals from Capital Accounts. No Partner shall be entitled to withdraw funds from its Capital Account, except pursuant to a Distribution made in accordance with Section 5 or the liquidation of the Partnership in accordance with Section 14, unless the Partners consent thereto.

3.6. Failure to Make Capital Contributions. The Interest of a Partner who fails to make any required Capital Contribution or other payment to the Partnership (subsequent to its initial Capital Contribution) shall be reduced upon failure to make such Capital Contribution or payment, and each Partner's Percentage Interest thereafter shall be recalculated.

3.7. Project Fund.

3.7.1. On the Transfer Date, the Partnership shall establish the Project Fund, which the Partnership shall use to implement the Capital Plan described in Section 3.7.2. The Project Fund shall consist of the proceeds of the UHS Contribution and of the Loan Agreement and any additional Capital Contributions as determined by the General Partner pursuant to Section 3.3 together with income on such funds.

3.7.2. The parties to this Agreement shall work diligently to develop, approve, and implement a Capital Plan to be prepared by the General Partner to substantially reconstruct, renovate and equip the existing Hospital facility, using the Project Fund. Only after the Capital Plan has been fully implemented and construction is complete, any funds remaining in the Project Fund shall be used to develop an integrated delivery system including, without limitation, linkage with the Medical Faculty Associates (as that term is defined in the Academic Affiliation Agreement attached hereto as Exhibit 3.7.2), development of a regional healthcare delivery infrastructure (including expansion of an ambulatory care network) and continued development of a primary care physician network.

3.7.3. The Project Fund shall not be used to pay management fees under the Management Agreement, offset deficits in budget pools under the HMO Hospital

Service Agreement, make academic support payments under the Academic Affiliation Agreement, or in any way fund operating deficits of the Partnership.

3.8. Centers of Emphasis. The parties to this Agreement intend that within two (2) years following the Transfer Date, the General Partner shall develop strategic, capital and operating plans for each of the Centers of Emphasis to provide capital, marketing and faculty support for the Centers of Emphasis, each of which shall be subject to the approval of the University under Section 7.3 hereof. "Centers of Emphasis" are the following six (6) clinical programs at the Hospital that have been identified by the University as areas of special emphasis: (1) cardiovascular disease, (2) cancer treatment and research, (3) emergency medicine, (4) minimally invasive surgery, (5) neurologic disease and (6) women's health.

3.9. Letter of Credit. The Letter of Credit shall be issued in favor of the Partnership, effective as of the Transfer Date. The Letter of Credit may be drawn by the Partnership in the event UHS fails to contribute to the Partnership the deferred portion of the UHS Contribution or fails to make available the Initial Capital Loan as the same are required from time to time to fund continuing capital expenditures in accordance with the Capital Plan. From and after such time as UHS contributes any of the deferred portion of the UHS Contribution and makes any portion or all of the Initial Capital Loan to the Partnership, UHS shall have the right to reduce the stated amount of the Letter of Credit such that the sum of contributions actually made to the Project Fund from the UHS Contribution and the Initial Capital Loan and the stated amount of the Letter of Credit equals Eighty Million Dollars ($80,000,000). The Letter of Credit shall be in a form, and issued by a financial institution, reasonably acceptable to the University. The University will review in good faith the need for the continued existence of the Letter of Credit to secure the ongoing obligation of UHS to complete the UHS Contribution, taking into consideration the progress of construction under the Capital Plan, the credit rating of UHS, and other factors.

UHS shall bear the cost of the Letter of Credit, except that the University shall reimburse UHS on an annual basis for its cost of the Letter of Credit plus fifty (50) basis points up to a maximum of 1.75% of the stated amount of the Letter of Credit not to exceed eight million dollars ($8,000,000) stated amount; provided that for each dollar of reduction in the amount of the face amount of the Letter of Credit other than as a result of the cash funding of UHS Contribution, the amount of the Letter of Credit with respect to which the University is obligated to pay UHS its cost shall be reduced correspondingly.

3.10 Initial Capital Loan. Only after UHS contributes all of the deferred portion of the UHS Contribution, the Initial Capital Loan may be drawn upon from time to time to fund continuing capital expenditures in accordance with the Capital Plan or after completion of the Capital Plan otherwise in accordance with Section 3.7.2.

4. Representations and Warranties of UHS. UHS hereby represents and warrants to the Partnership, which representations and warranties shall be true and correct on the Effective Date, as follows:

4.1. Organization; Good Standing. UHS is a Delaware corporation, duly organized, validly existing and in good standing under the laws of Delaware with full corporate power and authority to carry on its businesses. UHS is also duly qualified to carry on its businesses in the District of Columbia.

4.2. Authority; Validity; No Breach. UHS has the full right, power, legal capacity and authority, to execute, deliver and carry out the terms of this Agreement and all documents and agreements necessary to give effect to the provisions of this Agreement and to consummate the transactions contemplated hereby. All corporate and other actions required to be taken by UHS to authorize the execution, delivery and performance of this Agreement, all documents executed by it necessary to give effect to this Agreement, and all transactions contemplated hereby have been duly and properly taken or obtained or will be duly and properly taken or obtained by UHS prior to the Transfer Date. No other corporate or other action on the part of UHS is necessary to authorize the execution, delivery and performance of this Agreement, all documents necessary to give effect to this Agreement and all transactions contemplated hereby. Any consent which has not been obtained would not have an adverse effect on the transactions contemplated hereby.

This Agreement is, and the documents to be delivered at closing will be, the lawful, valid and legally binding obligations of UHS in accordance with their respective terms. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not, with or without the giving of notice and/or the passage of time: (a) violate the Articles of Incorporation or Bylaws of UHS, or any provision of law, statute, rule or regulation to which UHS is subject; or (b) violate or conflict with any judgment, order, writ or decree of any court applicable to UHS; which violation or conflict would have a material adverse effect on the transactions contemplated hereby.

4.3. Consents and Approvals. UHS has obtained each consent, approval, permit, waiver, authorization or other action of or by any court, governmental or nongovernmental person or entity, that is required in connection with the execution, delivery or performance of this Agreement by UHS.

4.4. Solvency. UHS is not insolvent and will not be rendered insolvent as a result of any of the transactions contemplated by this Agreement. For purposes hereof, the term "solvency" means that: (a) the fair salable value of UHS's tangible assets is in excess of the total amount of its liabilities (including for purposes of this definition all liabilities, whether or not reflected on a balance sheet prepared in accordance with generally accepted accounting principles, and whether direct or indirect, fixed or contingent, secured or unsecured, and disputed or undisputed); (b) UHS is able to pay its debts or obligations in the

ordinary course as they mature; and (c) UHS has capital sufficient to carry on its businesses and all businesses in which it is about to engage.

4.5. Guaranty. UHS Parent will execute a guaranty agreement with UHS (the "Guaranty Agreement"), a copy of which is attached hereto as Exhibit 4.5.

4.6. Community Service. UHS recognizes the significant contribution the University has made to the local community through its support of uncompensated and indigent care at the Hospital. For at least two (2) years from the Transfer Date, the Partnership shall maintain the Hospitals policies for the treatment of indigent patients as such policies exist as of the Transfer Date. Moreover, UHS recognizes as a member of the community the Partnership's responsibilities for the treatment of indigent patients. Notwithstanding anything in this Agreement or any Ancillary Agreement to the contrary, the Partnership shall comply with all applicable laws and regulations relating to uncompensated care and community service, including but not limited to the requirements of any applicable Certificate of Need law.

5. Distributions and Allocations.

5.1. Distributions. Subject to Section 14 below, the General Partner may make Distributions to the Partners of cash or other property of the Partnership. No Distribution under this Section 5.1 shall be made, however, unless the cash or property to be distributed is determined by the General Partner, in accordance with sound business practices, to be in excess of the Partnership's business needs, including for this purpose any and all reasonable reserves for working capital or liabilities of the Partnership, such as the Partnership's repayment obligations with respect to any Capital Loans, or other reasonably foreseeable contingencies. All Distributions shall be in proportion to the Partners' respective Percentage Interests.

5.2. Record Date for Distributions. Each Distribution to the Partners pursuant to this Agreement shall be made to the Partners who are holders of record of Interests as of the date such Distribution is approved.

5.3. Allocations of Profits and Losses. Except as otherwise provided in Sections 5.4 and 5.5, Profits and Losses shall be allocated among the Partners annually at the close of each Fiscal Year of the Partnership according to their respective Percentage Interests.

5.4. Special Allocations. The following special allocations shall be made in the following order:

5.4.1. Minimum Gain Chargeback. Except as otherwise provided in Section 1.704-2(f) of the Treasury Regulations, notwithstanding any other provision of this Section 5, if there is a net decrease in Partnership Minimum Gain during any Fiscal Year, each

Partner shall be specially allocated items of Partnership income and gain for such Fiscal Year (and, if necessary, subsequent Fiscal Years) in an amount equal to such Partner's share of the net decrease in Partnership Minimum Gain, determined in accordance with Treasury Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Partner pursuant thereto. The items to be so allocated shall be determined in accordance with Sections 1.704- 2(f)(6) and 1.704-2(j)(2) of the Treasury Regulations. This Section 5.4.1 is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(f) of the Treasury Regulations and shall be interpreted consistently therewith.

5.4.2. Partner Minimum Gain Chargeback. Except as otherwise provided in Section 1.704-2(i)(4) of the Treasury Regulations, notwithstanding any other provision of this Section 5, if there is a net decrease in Partner Nonrecourse Debt Minimum Gain attributable to a Partner Nonrecourse Debt during any Fiscal Year, each Partner who has a share of the Partner Nonrecourse Debt Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Section 1.704-2(i)(5) of the Treasury Regulations, shall be specially allocated items of Partnership income and gain for such Fiscal Year (and, if necessary, subsequent Fiscal Years) in an amount equal to such Partner's share of the net decrease in Partner Nonrecourse Debt Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Treasury Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Partner pursuant thereto. The items to be so allocated shall be determined in accordance with Sections 1.704-2(i)(4) and 1.704-2(j)(2) of the Treasury Regulations. This Section 5.4.2 is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(i)(4) of the Treasury Regulations and shall be interpreted consistently therewith.

5.4.3. Qualified Income Offset. In the event any Partner unexpectedly receives any adjustments, allocations, or distributions described in Section 1.704- 1(b)(2)(ii)(d)(4), Section 1.704-1(b)(2)(ii)(d)(5), or Section 1.704-1(b)(2)(ii)(d)(6) of the Treasury Regulations, items of Partnership income and gain shall be specially allocated to each such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Adjusted Capital Account Deficit of such Partner as quickly as possible, provided that an allocation pursuant to this Section 5.4.3 shall be made only if and to the extent that such Partner would have an Adjusted Capital Account Deficit after all other allocations provided for in this Section 5 have been tentatively made as if this Section 5.4.3 were not in the Agreement.

5.4.4. Gross Income Allocation. In the event any Partner has a deficit Capital Account at the end of any Fiscal Year which is in excess of the sum of (i) the amount such Partner is obligated to restore pursuant to any provision of this Agreement, and (ii) the amount such Partner is deemed to be obligated to restore pursuant to the penultimate sentences of Sections 1.704-2(g)(1) and 1.704-2(i)(5) of the Treasury Regulations, each such Partner

shall be specially allocated items of Partnership income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 5.4.4 shall be made only if and to the extent that such Partner would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Section 5 have been made as if this Section 5.4.4 were not in the Agreement.

5.4.5. Partner Nonrecourse Deductions. Any Partner Nonrecourse Deductions for any Fiscal Year shall be specially allocated to the Partner who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulations Section 1.704-2(i)(1).

5.4.6. Nonrecourse Deductions. Nonrecourse Deductions for any Fiscal Year shall be specially allocated among the Partners in proportion to their Percentage Interests.

5.5. Curative Allocations. The allocations set forth in Sections 5.4.1, 5.4.2, 5.4.3, 5.4.4, 5.4.5 and 5.4.6 (the "Regulatory Allocations") are intended to comply with certain requirements of the Treasury Regulations. It is the intent of the Partners that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Partnership income, gain, loss, or deduction pursuant to this Section 5.5. Therefore, notwithstanding any other provision of this Section 5 (other than the Regulatory Allocations), the General Partner shall make such offsetting special allocations of Partnership income, gain, loss, or deduction in whatever manner it determines appropriate so that, after such offsetting allocations are made, each Partner's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Partner would have had if the Regulatory Allocations were not part of the Agreement. In exercising its discretion under this Section 5.5, the General Partner shall take into account future Regulatory Allocations under Section 5.4.1 and 5.4.2 that, although not yet made, are likely to offset other Regulatory Allocations previously made under Section 5.4.5 and 5.4.6.

5.6. Book Value/Tax Basis Differentials. In accordance with Section 704(b) and 704(c) of the Code and the Treasury Regulations promulgated thereunder, income, gain, loss, deductions and credit with respect to (i) any property contributed to the capital of the Partnership, and (ii) any property revalued on the Partnership's books in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), shall, solely for tax purposes, be allocated among the Partners so as to take into account any variation between the adjusted basis of such property to the Partnership for federal tax purposes and its value on the books of the Partnership. The General Partner shall make such allocations using the "remedial allocation method," as specified in Treasury Regulation Section 1.704-3(d).

5.7. Allocation in Respect of Interests Held for Partial Year. In the event of a change in the Partners' Percentage Interests during any Fiscal Year, Profits and Losses, if any, for such Fiscal Year shall be divided equally among the months of such year, and each Partner shall participate in the allocation for each month on the basis of its Percentage Interest as of the last day of that month. Notwithstanding the foregoing, the Partnership shall in all events utilize an accounting method for determining the allocable shares of the above items to which the Partners are entitled that complies with Code Section 706(d) and the Treasury Regulations thereunder.

6. Reports, Books and Records.

6.1. Maintenance. The Partnership shall maintain complete and accurate books and records, as required by the Act, at its principal office or such other place or places as the General Partner may from time to time determine. The Partnership shall adopt the same fiscal year as UHS uses in its business, or such other fiscal year as is required to be adopted by the Partnership for federal income tax purposes under Section 706 of the Code (a "Fiscal Year").

6.2. Financial Statements and Income Tax Returns. The General Partner shall cause to be prepared and delivered to each Partner, within one hundred twenty (120) days after the expiration of each Fiscal Year, a balance sheet and a profit and loss statement of the Partnership, a statement showing the Capital Accounts, the Distributions and the share in the Profits and Losses of each of the Partners for such Fiscal Year, and copies of all income tax informational returns filed by or on behalf of the Partnership, together with such additional tax information with respect to the Partnership's operations as shall be necessary for the preparation by the Partners of their federal or state income tax returns. Each of the Partners shall be entitled to request such additional reports on the operations or financial condition of the Partnership as they reasonably believe is appropriate.

6.3. Inspections. Each Partner of record shall have the right to examine, at any reasonable time or times for all purposes, the books and records of account, and the minutes and records of the Partnership, and to make copies thereof at such Partner's expense. Such inspection may be made by any agent or attorney of the Partner.

6.4. Tax Elections; Adjustment of Basis of Partnership. Upon the Transfer of any Interest in the Partnership in the manner provided in Section 743 of the Code, or a Distribution of property made in the manner provided in Section 734 of the Code, in the reasonable discretion of the General Partner, the Partnership may file an election under Section 754 of the Code to adjust the basis of the assets of the Partnership under the circumstances and in the manner provided in Sections 734 and 743. In the event of such election, the General Partner shall take any and all necessary steps to consummate such adjustment, including, without limitation, the filing of the election with the income tax return of the Partnership for the first Fiscal Year to which the election applies.

The General Partner may (but need not), in its sole and absolute discretion, make any other elections under the Code or the Treasury Regulations, and the General Partner shall be absolved from all liability for any and all consequences to any previously admitted or subsequently admitted partners resulting from the making or failing to make any tax election.

6.5 Tax Matters Partner. The General Partner is hereby designated as the "tax matters partners" in accordance with Section 6231(a)(7) of the Code, and, in connection therewith and in addition to all other powers given thereto, shall have all powers necessary and appropriate to perform such role and to expend Partnership funds for professional services and costs associated therewith.

7. Management of the Partnership.

7.1. Responsibilities and Authority of the General Partner. The overall management and control of the Partnership and all of its affairs shall be in the General Partner, except as otherwise set forth herein or in the Management Agreement. The General Partner shall oversee the implementation of the decisions of the Partners and the day-to-day management of the Partnership by the Chief Executive Officer. The General Partner shall devote such attention and business capacity to the affairs of the Partnership as may be reasonably necessary to fully perform its duties as General Partner.

7.2. Partnership Board of Directors.

7.2.1. The board of directors of the Partnership (the "Partnership Board") shall consist of six (6) Directors. Three (3) Directors shall be appointed by the University and shall be University Directors, and three (3) Directors shall be appointed by UHS and shall be UHS Directors.

7.2.2. The University shall elect the initial Chairman of the Partnership Board after consultation with UHS. Thereafter, the Chairman shall be elected by the Partnership Board of Directors on the basis of the Partners' Partnership Interests.

7.2.3. The initial Directors shall be as set forth in Exhibit 7.2.3 attached hereto. The term of each of the initial Directors shall be from the inception of the Partnership until the first meeting of the Partners, at which time their successors shall be elected and qualified by the University and UHS, respectively. The University and UHS shall retain the discretion to replace any of their respective elected Directors during their term as Directors. After the first meeting of the Partners, all Directors shall serve for terms of one (1) year, or until their successors shall have been elected and qualified or until the earlier of their death, removal, resignation or disqualification. After the first meeting, each Partner shall annually elect its class of Directors. Directors elected by a Partner shall be automatically disqualified as Directors in the event that the Partner ceases to be a Partner. There shall be no limitation on the number of terms a Director may serve.

7.2.4. In all events, a Director shall hold office until his successor has been elected and qualified.

7.2.5. An annual meeting of the Partnership Board shall be held at the date, time and place determined by the Partnership Board. Special meetings of the Partnership Board may be called by the Chairman, the Partnership Board or any two (2) Directors by giving at least five (5) days written notice to the Directors, except in the case of an emergency, which shall require at least forty-eight (48) hours written notice, of the date, time, place and purpose of the special meeting. Participation at any meeting may be by any means of communication pursuant to which all Directors participating may simultaneously hear each other.

7.2.6. Any Director may waive notice of any meeting. Except as set forth in the following sentence, the waiver must be in writing, signed by the Director entitled to the notice and filed with the minutes or other records of the Partnership. A Director's attendance at or participation in a meeting shall constitute a waiver of notice of that meeting unless the Director is attending for the sole purpose of objecting to the notice. Neither the business to be transacted at, nor the purpose of, any meeting of the Directors (other than for special meetings) need be specified in the notice or waiver of notice of the meeting.

7.2.7. The presence at a meeting of Directors representing a majority of the total voting power of the Partnership Board shall constitute a quorum for such meeting. If less than a quorum of the Directors is present at a meeting, the Directors present shall adjourn the meeting to a different time.

7.2.8. Except as otherwise provided in this Agreement, the Directors appointed by a particular Partner shall, as a group, have voting rights equivalent to that Partner's Percentage Interest. With the exception of the Major Decisions described in Section 7.3, the affirmative vote of a majority of the Percentage Interests represented at a meeting at which a quorum is present shall be required for an action of the Directors.

7.2.9. The Partner which elected a Director may remove the same Director with or without cause. A Director may resign at any time by giving written notice to the Directors or to the Chairman. A resignation is effective when the notice is given unless the notice specifies a future date. The pending vacancy may be filled before the effective date, but the successor shall not take office until the effective date.

7.2.10. A vacancy created by removal, death, incapacity, resignation or an increase in the number of Directors or by any other reason may be filled only by election by the Partner which elected such Director or, in the case of an increase in the number of Directors, by the Partner entitled to elect the new Directors. The individual elected to fill a vacancy shall serve until the next annual appointment of Directors by the Partners.

7.2.11. A Director who is present at a meeting of the Directors at which any official action is taken shall be conclusively presumed to have assented to the action unless he announces his dissent at the meeting, or his dissent is entered in the minutes of the meeting, or he files his written dissent with the secretary of the meeting before the meeting is adjourned.

7.2.12. Any action required or permitted to be taken at a meeting of the Directors may be taken without a meeting if a written consent setting forth the action so taken is signed by each Director and is filed with the minutes of proceedings of the Directors.

7.2.13. No Director shall receive a salary from the Partnership solely on account of his service as a Director, but this shall not preclude the Partnership from reimbursing Directors for expenses reasonably incurred in connection with their service or from paying Directors for other services rendered to the Partnership.

7.3. Major Decisions. While the University's Percentage Interest is twenty percent (20%) or greater or if less than twenty percent (20%), until the Capital Plan has been fully implemented (with respect to Section 7.3(h) only), the approval of a majority of the Directors appointed by the University and a majority of the Directors appointed by UHS shall be required for the following actions:

(a) Material amendments to this Agreement;

(b) Sale or transfer of more than ten percent (10%) of the assets of the Partnership;

(c) Addition of Partners to the Partnership or sale of any Partnership Interest, provided that approval shall not be unreasonably withheld;

(d) Incurrence of debt by the Partnership which results in debt as a percentage of total capitalization in excess of fifty percent (50%);

(e) Annual capital expenditures (not including those incurred as part of the Project Fund) in excess of fifteen percent (15%) of the net book value of the Partnership's total assets, with any unused portion to be carried over to future years;

(f) Distributions to the Partners by the Partnership except in accordance with this Agreement;

(g) Agreements between the Partnership and either the University or UHS or any affiliate of either party, unless such agreements are on terms and conditions at least as favorable as available from third parties;

(h) Approval of the Project Fund and plans for the support and development of the Centers of Emphasis, and material modifications thereto; and

(i) Acceptance of a business opportunity pursuant to Section 12.2.

7.4. Advisory Powers. In addition to the powers expressly set forth in this Agreement, the Partnership Board shall advise the Partnership on other matters affecting the Partnership. The Partnership Board shall receive advice from the Hospital Board of Trustees regarding Hospital matters.

8. Hospital Board of Trustees. The Partnership shall establish a board of twelve (12) trustees (the "Board of Trustees"). At least seven (7) of the trustees will be residents of the Hospital service area so as to provide local guidance to the policy and direction of the Hospital. The University and UHS shall each appoint six (6) Trustees, provided that no more than four (4) trustees shall be employed by or affiliated with the University and no more than four (4) trustees shall be employed by or affiliated with UHS. No less than four (4) trustees shall be members of the community who are not employed by or affiliated with UHS or the University. The responsibilities of the Board of Trustees shall be (a) establishing and maintaining accreditation and meeting accreditating agency requirements relating to medical staff credentialing, quality assurance, and oversight of Hospital responsibilities, (b) amending the Hospitals medical staff bylaws, rules and regulations, (c) promoting community involvement and community service and (d) advising the Partnership Board regarding Hospital matters. The Bylaws of the Board of Trustees are attached hereto as Exhibit 8.

9. Chief Executive Officer. The General Partner shall consult with the University with respect to the selection of the Chief Executive Officer of the Hospital. The Chief Executive Officer shall be appointed by, and shall serve at the pleasure of, The Partnership Board. The Chief Executive Officer shall be responsible for managing, supervising and administering the day-to-day operations of the Partnership.

10. Reserve Powers. Notwithstanding anything in this Agreement or any Ancillary Agreement to the contrary, and regardless of the Partnership Interest, if any, held by the University, the following actions of the Partnership shall require the approval of the University, which actions shall not affect the University's status as a Limited Partner or provide the University with any power to bind the Partnership:

10.1. Any material discontinuance, addition, or transfer outside of the Washington Circle area of the District of Columbia of any significant medical services provided at the Hospital as of the Transfer Date; provided that the University's approval shall not be unreasonably withheld. For purposes of this Section 10.1, the University's reasonable determination shall take into account such factors as:

(a) Whether the discontinuance, addition, or transfer of services will materially adversely affect academic programs;

(b) Whether the continuation of a service would impose a significant financial burden on the Partnership;

(c) Whether the services to be discontinued or transferred are available in the community, subject to considerations of cost, quality, and reasonable access by patients and physicians; and

(d) Whether the discontinuance, addition, or transfer of services is in the financial and strategic interest of the Partnership;

10.2. Any material discontinuance, addition, or transfer outside of the Washington Circle area of the District of Columbia of (a) any programs of undergraduate and graduate medical education sponsored or offered by The George Washington University at the Hospital as of the Transfer Date; (b) clinical programs conducted by the Medical Faculty Associates at the Hospital as of the Transfer Date; (c) Clinical Support Positions, as defined in the Academic Affiliation Agreement; and (d) Centers of Emphasis;

10.3. Selection of Clinical Chiefs as provided in the Academic Affiliation Agreement; and

10.4. Discontinuance of operation of an acute care hospital in the Washington Circle area of the District of Columbia.

11. Confidential and Proprietary Information.

11.1. Confidential Information. Each Partner recognizes that due to the nature of this Agreement, it will have access to information of a proprietary nature owned by the Partnership, another Partner, and/or affiliates of another Partner including but not limited to documents and programs (whether or not completed or in use), operating manuals or similar materials that constitute nonmedical systems, policies and procedures, and methods of doing business, administrative, advertising or marketing techniques, financial affairs, and other proprietary information (collectively, the "Confidential Information"). Consequently, each Partner acknowledges and agrees that the Partnership, the other Partner(s) and the affiliates of the other Partner(s) respectively, have a proprietary interest in such Confidential Information and that all such information constitutes confidential and proprietary information and/or trade secret property of the respective party or parties. Each Partner hereby expressly and knowingly waives any and all right, title and interest in and to other parties' Confidential Information and agrees to return all copies of Confidential Information to the provider(s) of such information at the Partner's expense upon the expiration or earlier termination of this Agreement; provided, however, that any Confidential Information developed and owned by

the Partnership shall continue to be available for use by the Partners and their affiliates following the expiration or termination of this Agreement. Notwithstanding the foregoing, any Confidential Information used by the Partners after the expiration or termination of this Agreement shall remain confidential and proprietary and shall not be shown or disclosed to Persons other than the Partner's affiliates without the prior written consent of the party or parties furnishing the Confidential Information or except: (1) as required in governmental filings or judicial, administrative or arbitration proceedings, or (2) as otherwise required by law (including but not limited to in response to a subpoena from a court or authorized governmental agency) (hereinafter the "Confidentiality Exception"). All provider cost and rate information and other comparable data deemed by a party to be proprietary shall only be furnished to the other party or parties and their representatives (or, if deemed by counsel to be appropriate in connection with compliance with applicable antitrust or similar laws, to a neutral party), who shall not release it to any other Person without a consent of the party or parties owning such data or unless a Confidentiality Exception applies.

Each Partner further acknowledges and agrees that the Partnership, other Partner(s), and other Partner(s)' affiliates, respectively, are entitled to prevent their respective competitors from obtaining and utilizing the Confidential Information. Therefore, each Partner agrees to hold the Confidential Information in strictest confidence and to not disclose such information or allow such information to be disclosed, directly or indirectly, during and after the Term of this Agreement to any Person or entity other than those Persons or entities who are legal and financial advisors or employees of or are otherwise affiliated with the Partnership, a Partner or an affiliate of a Partner, or the Partnership's affiliates (collectively, the "Partnership Representatives") on a need to know basis, without the prior written consent of the party or parties furnishing Confidential Information unless a Confidentiality Exception applies. Further, each Partner shall require its Partnership Representatives that receive the Confidential Information to abide by the terms of this Section 11.1. Neither the Partnership, a Partner nor any of the Partnership Representatives shall use Confidential Information other than in connection with the business of the Partnership or a Partner's performance of its obligations under this Agreement until expiration or earlier termination of this Agreement. In addition, after the expiration or earlier termination of this Agreement, no Partner shall disclose to anyone any Confidential Information obtained by the Partner from the Partnership, a Partner or an affiliate of a Partner, other than upon the prior written consent of the party or parties providing the Confidential Information unless a Confidentiality Exception applies.

11.2. The restrictions set forth in Section 11.1 above shall not apply to any information which becomes publicly known through no fault of the Partners and their affiliates which received or was given access to such information by the other party or parties.

12. Rights and Duties of the Partners.

12.1. Indemnification.

12.1.1. Actions by Third Persons. To the extent and in the manner permitted by the laws of the District of Columbia, the Partnership shall indemnify, defend and hold harmless any Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by, or in the right of the Partnership, by reason of the fact that such Person is or was a Director, trustee, officer, employee or agent of the Partnership, or is or was a Partner (including the General Partner in its role as Tax Matters Partner), or an officer, director, trustee, employee or agent of such Partner, or is or was serving at the request of the Partnership as a director, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise against expenses (including but not limited to attorneys' fees, judgments, fines and amounts paid in settlement) actually and reasonably incurred by such Person in connection with such action, suit or proceeding (i) if such Person acted in good faith and in a manner such Person reasonably believed to be in, or not opposed to, the best interests of the Partnership, (ii) if the acts or omissions forming the basis for such allegation were appropriately authorized by the Partnership, and (iii) if, with respect to any criminal action or proceeding, such Person had no reasonable cause to believe the conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contenders or its equivalent, shall not, of itself, create a presumption that the Person did not act in good faith and in a manner which such Person reasonably believed to be in or not opposed to, the best interests of the Partnership and, with respect to any criminal action or proceeding, had reasonable cause to believe that conduct was unlawful. Indemnification shall not be permitted if a Partner has been adjudged liable for personal benefits improperly received, willful misconduct, recklessness, or gross negligence with respect to the business of the Partnership.

12.1.2. Determination. Any indemnification under the provisions of Section 12.1.1 of this Agreement, unless ordered by a court, shall be made available to the Director, trustee, Partnership only as authorized in the specific case following a specific determination that indemnification of the Director, trustee, Partner, officer, employee or agent is proper under the circumstances because such Person has met the applicable standard of conduct set forth in Section 12.1.1 of this Agreement. Such determination shall be made:

(a) by the Partners by the vote of a majority in Percentage Interest consisting of Partners who were not parties to such action, suit or proceeding; or

(b) if the disinterested Partners so direct, by independent legal counsel in a written opinion.

12.1.3. Expense Advances. Expenses incurred by an officer of the Partnership or Parties in defending a civil or criminal action, suit or proceeding may be paid by the Partnership in advance of the final disposition of such action, suit or proceeding, determined on a case-by-case basis, if the action, suit or proceeding arises from the performance by such officer or Partner of Partnership duties; and upon receipt of an

undertaking by or on behalf of such officer or Partner to repay such amount if it shall ultimately be determined that such officer or Partner is not entitled to be indemnified by the Partnership as authorized by the provisions of this Section 12. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Partners deem appropriate.

12.1.4. Insurance. The Partnership may, to the full extent permitted by the laws of the District of Columbia, but only to such extent as may be determined by the Partners, purchase and maintain insurance on behalf of any Person who is or was a Director, trustee, officer, employee or agent of the Partnership, or is or was a Partner or an officer, director, employee or agent of such Partner, or is or was serving at the request of the Partnership as a partner, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise against any liability asserted against and incurred by such Person in any such capacity or arising out of such Person's status as such, whether or not the Partnership would have the power to indemnify such Person against such liability under the provisions of this Section 12.

12.1.5. Continuation of Indemnification. The indemnification and advancement of expenses provided by or granted pursuant to this Section 12 shall continue as to a Person who has ceased to be a Director, trustee, Partner, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a Person.

12.2. Partnership Business Opportunities.

12.2.1. New Business Opportunities. The Partnership shall have the first right to acquire, manage or operate any opportunity of a Partner to engage in any healthcare or related activity within the Partnership's Service Area which is not conducted by a Partner immediately after the Transfer Date. Accordingly, if a Partner is presented such an opportunity, such Partner shall offer the Partnership the first right to acquire, manage or operate such activity. An offer under this Section 12.2.1 shall be based on a summary term sheet prepared in good faith by the presenting Partner, or by the General Partner if the opportunity was first made available to the Partnership. Such term sheet shall describe the nature of the opportunity, its relationship to the activities of the Partnership, and any other material terms and conditions of the opportunity relevant to its consideration by the Partnership. The Partners intend that a business opportunity of the Partnership may be pursued in whatever manner best accomplishes the purposes of the Partnership including, but not limited to, having ownership of assets used in the business in the name of one or more Partners. The Partnership shall determine whether to act on the business opportunity in accordance with Section 7.3(i). If the Partnership does not state in writing to the proposing Partner that it is willing to acquire, manage or operate the business opportunity within thirty (30) days after the Partnership's receipt of the offer, or if the Partnership does not proceed with all due diligence to consummate the transaction, either Partner may negotiate for and acquire, manage or operate such business opportunity.

12.2.2. Remedies. In the event of an actual or threatened breach by the Partnership or a Partner of this Section 12.2 the nonbreaching Partner or its affected affiliate shall be entitled to an injunction restraining the breaching party from the prohibited conduct. Notwithstanding any other provision of this Agreement, if a court of competent jurisdiction should hold that the scope (geographic or otherwise) of the foregoing covenants is unreasonable, then, to the extent permitted by law, the court may prescribe a scope (geographic or otherwise) that is reasonable and judicially enforceable. Nothing herein stated shall be construed as prohibiting a nonbreaching Partner or any affiliate thereof from pursuing any other remedies available to it for such breach or threatened breach, including, the recovery of damages from any breaching party.

12.3. Covenant Not to Compete. As of the Transfer Date, the Partners and their affiliates shall not, without the prior written consent of the Partnership, own or operate, directly or indirectly, any healthcare related business which may be competitive with the activities of the Partnership within the Partnership's Service Area; provided, however, that this Section 12.3 shall not apply to (i) the operations of the Partners and their respective affiliates in place as of the Effective Date of this Agreement that are listed on Exhibit 12.3 hereto or (ii) the particular opportunities presented to the Partnership under Section 12.2.1, which the Partnership has chosen not to pursue. To the extent that any portion of the provisions of this Section 12.3 shall be deemed by a court of competent jurisdiction to exceed the time or geographic limits or any other limitations permitted by applicable law, then this Section 12.3 shall be deemed reformed to the maximum extent permitted by applicable law.

12.4. Partnership Assets. The credit and assets of the Partnership shall be used solely for the benefit of the Partnership and shall not otherwise be used to further the personal gain of any of the Partners. Title to and ownership of all of the assets of the Partnership shall at all times be vested in and stand in the name of the Partnership. The General Partner shall execute, file and record such documents which may become necessary to reflect the Partnership's ownership of such property in such public offices as may be required.

12.5 MFA Activities. The provisions of Sections 12.2 and 12.3 shall not apply to activities of the Medical Faculty Associates relating to the type of health care services provided by the members of the Medical Faculty Associates in their respective offices as of the Effective Date.

13. Transfer of Partnership Interests.

13.1. Restrictions on Transfer.

13.1.1. Restrictions on Transfers by UHS and the University. Neither UHS nor the University may Transfer their respective Interests in the Partnership unless the Partner desiring to Transfer its Interest under this Section 13.1 obtains the prior written approval of the nontransferring Partner, which approval shall not be unreasonably withheld.

13.1.2. Limitations on Rights of Assignees. Transfers of interests in the Partnership under this Section 13.1 shall be, and any Person(s) acquiring a Transferred Interest (an "Assignee") shall acquire such Transferred Interest in the Partnership, subject to all of the terms and conditions of this Agreement. A Transfer of an Interest in the Partnership shall not relieve the transferring Partner of its duties and obligations to the Partnership unless the General Partner agrees in writing to release the transferring Partner. An Assignee shall not be admitted as a Partner (a "Substitute Partner") unless all the requirements of Section 13.3 of this Agreement are satisfied. Absent admission as a Substitute Partner, Assignees shall be permitted to receive only the share of the Partnership's income, gain, deductions, credits and losses to which the transferring Partner was previously entitled.

13.2. New Partners. New Partners may be admitted to the Partnership upon satisfaction of the requirements of Sections 3.2 and 13.3 of this Agreement and subject to the provisions of Section 7.3. As new Partners are admitted, any adjustment in the Percentage Interests of existing Partners shall be made as mutually agreed.

13.3. Substitution of Assignees and Admission of New Partners. Subject to Section 13.1 hereof relating to Transfers of Interests and Section 13.2 hereof relating to the admission of new Partners, an Assignee may become a Substitute Partner with all the rights and liabilities of any Partner under this Agreement, and new Partners may be admitted to Partnership, if and only if (i) the Assignee or new Partner executes and agrees to be bound by this Agreement in the place of the transferring Partner or as a new Partner, as applicable; (ii) in the event such Assignee is a corporation, partnership (general or limited), trust or limited liability company, such Assignee or new Partner provides the General Partner with evidence satisfactory to counsel for the Partnership of such Assignee's or new Partner's authority to become a Partner under the terms and conditions of this Agreement; (iii) the assignment or admission instruments, documents or statements, if any, are prepared, executed, acknowledged, filed, published and delivered as required by the Act or otherwise; (iv) the Assignee or new Partner pays or obligates itself to pay any and all reasonable costs and expenses, including attorneys' fees, incurred by the Partnership in connection with such substitution or admission; and (v) the Partners and the Partnership Board approve the admission of the new Partner, or the Assignee as a Substitute Partner, under Section 7.3(c) of this Agreement, which approval shall not be unreasonably withheld. The admission of such Assignee or new Partner shall not cause a dissolution of the Partnership. In addition, this Agreement and Exhibit 1.34 hereto shall be amended to reflect the admission of new Partners and reflect the reallocation of the existing Partners' respective Percentage Interests in the Partnership without the necessity of any existing Partner's signature.

13.4. Effective Date of Assignment or Admission. For the purpose of allocating Partnership income, gains, deductions, credits and losses, an Assignee or new Partner shall be treated as a Partner on such date as consent of the nontransferring Partners to such Transfer as is required under this Section 13 is obtained.

14. Dissolution, Liquidation and Termination of the Partnership.

14.1. Limitations. The Partnership may be dissolved, liquidated and terminated only pursuant to the provisions of this Section 14. The Partners hereby irrevocably waive any and all other rights they may have to cause a dissolution of the Partnership or a sale or partition of any or all of its assets.

14.2. Exclusive Causes. The following events, and only the following events, shall cause the Partnership to be dissolved, liquidated and terminated pursuant to the provisions of this Section 14.2:

14.2.1. Expiration. The expiration of the Term of the Partnership.

14.2.2. Consent. The consent of all Partners to dissolve the Partnership.

14.2.3. Unlawful Event. The occurrence of any event which makes it unlawful for the business of the Partnership to be carried on, whether by the Partners or the Partnership.

14.2.4. Sale of All or Substantially All of Partnership Assets. The sale of all or substantially all of the assets of the Partnership and the receipt of all cash proceeds from such sale.

14.2.5. Failure to Execute and Close. The failure of any of the parties to this Agreement to execute any of the Ancillary Agreements or to close the transactions contemplated by Section 3 of this Agreement by December 31, 1997 or by such later date mutually agreed to by the parties.

14.2.6. Expiration or Termination of Ground Lease. The termination of the Ground Lease between the University and the Partnership due to expiration or a breach by the University, unless otherwise approved by the Partners.

14.2.7. Bankruptcy of a Partner. The Bankruptcy of any Partner unless the Partnership is continued by the consent of the other Partner(s).

14.2.8. Bankruptcy of the Partnership. The Bankruptcy of the Partnership.

14.2.9. Judicial Dissolution. A decree of dissolution rendered by a court of competent jurisdiction pursuant to District of Columbia Code Section 41-482.

14.2.10. Breach by a Partner. A material breach of this Agreement by any Partner; provided, however, that the Partner alleged to have breached this Agreement shall have twenty (20) business days to cure such alleged breach to the satisfaction of a majority in Percentage Interest of the nonbreaching Partners.

14.3. Liquidating Trustee; Continuation of Business. Upon the dissolution of the Partnership, the General Partner shall act as the "Liquidating Trustee" of the Partnership. During the period of the dissolution, liquidation and termination of the Partnership pursuant to the provisions of this Section 14, the business of the Partnership may be continued by the Liquidating Trustee to the extent necessary to allow an orderly winding up of the Partnership's affairs, including without limitation, the liquidation of the Partnership pursuant to the provisions of Section 14.4 below.

14.4. Liquidation of Partnership. Upon the dissolution of the Partnership pursuant to the provisions of Section 14.2 and within a reasonable time thereafter, the . Liquidating Trustee shall wind up the Partnership's business and affairs in the following manner.

14.4.1. The Liquidating Trustee shall obtain and furnish an accounting with respect to all Partnership accounts and the Capital Accounts of each Partner and with respect to the Partnership's assets and liabilities and its operations from the date of the last financial statements of the Partnership to the date of its liquidation.

14.4.2. To the extent the Liquidating Trustee deems appropriate, all material, equipment, and real and personal property of the Partnership of any kind or nature may be sold.

14.4.3. The Liquidating Trustee shall pay the expenses of liquidation and the debts of the Partnership from the Partnership's assets, including debts owing to the Partners in the order of priority provided by law, except the claims of secured creditors whose obligations will be assumed or otherwise transferred upon the liquidation or Distribution of the Partnership's assets.

14.4.4. The Liquidating Trustee shall ascertain the fair market value by appraisal or other reasonable means of all assets of the Partnership not sold and intended to be distributed to the Partners in connection with the liquidation, and each Partner's Capital Account shall be charged or credited, as the case may be, as if such properly had been sold at such fair market value and the gain or loss realized thereby had been allocated to and among the Partners.

14.4.5. Remaining proceeds shall be paid to the Partners who have net positive balances in their Capital Accounts, as determined after taking into account all Capital

Account adjustments for the Partnership's Fiscal Year, until all such balances have been reduced to zero or, in the event proceeds are insufficient, pro rata on account thereof.

14.4.6. In the event any proceeds remain after Distributions pursuant to Sections 14.4.1 through 14.4.5 above, such proceeds shall be distributed to the Partners according to their respective Percentage Interests.

15. Miscellaneous.

15.1. Notices. Any and all notices or demands in connection with this Agreement shall be in writing and served either personally, by certified mail, return receipt requested, or by Federal Express or other reputable overnight courier, at the respective addresses set forth opposite the signatures of the Partners, or to such other addresses as any of them shall from time to time designate. If served personally, service shall be conclusively deemed made at the time of such service. If served by certified mail, service shall be conclusively deemed made on the fourth business day after the deposit thereof in the United States mail, postage prepaid, addressed pursuant to the provisions of this Section 15.1. If served by Federal Express or other overnight reputable courier, service shall be conclusively deemed made on the day after transmittal thereof.

15.2. Hospital Name. Pursuant to the Trademark License Agreement between the University and the Partnership, the Partnership shall continue to use the name "The George Washington University Hospital" in connection with the Hospital so long as it continues to operate the Hospital in the Washington Circle area of the District of Columbia unless such name is required to be changed to comply with applicable law. The University agrees that it shall not license the name "The George Washington University Hospital" to, or use the name in connection with, any entity, facility, or service without the consent of the Partnership.

15.3. Attorneys' Fees. Should any party retain counsel to enforce any of the provisions herein or protect its interest in any matter arising under this Agreement, or to recover damages by reason of any alleged breach of any provision of this Agreement, the losing party in any action pursued in a court of competent jurisdiction (the formality of which is not legally contested) shall pay to the prevailing party all costs, damages, and expenses incurred by the prevailing party, including, without limitation, attorneys' fees and costs incurred in connection therewith.

15.4. Interpretation. No provision of this Agreement is to be interpreted for or against any party because that party or that party's legal representative drafted such provision.

15.5. Waiver. No breach of any provision of this Agreement may be, waived except in writing. Waiver of any one breach of any provision of this Agreement shall not be

deemed to be a waiver of any other breach of the same or any other provision of this Agreement.

15.6. Severability. In the event that any covenant, condition or other provision contained in this Agreement is held to be invalid, void or illegal by any court of competent jurisdiction, the same shall be deemed severable from the remainder of this Agreement and shall in no way affect, impair or invalidate any other covenant, condition or other provision contained in this Agreement so long as severance of the invalid provision does not materially alter the rights and obligations of the parties. If such condition, covenant or other provision shall be deemed invalid due to its scope or breadth, such covenant, condition or other provision shall be deemed valid to the extent of the scope or breadth permitted by law.

15.7. Additional Documents. In addition to the documents and instruments to be delivered as provided in this Agreement, each of the parties shall, from time to time at the request of the other parties, execute and deliver to the other parties or the Partnership such other documents and shall take such other action as may be reasonably required to carry out more effectively the terms of this Agreement.

15.8. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the District of Columbia.

15.9. Headings. Paragraph titles or captions contained in this Agreement are inserted as a matter of convenience and for reference purposes only, and in no way define, limit, interpret, extend or describe the scope of this Agreement or any provision of this Agreement.

15.10. Survival of Obligations. All indemnities, and continuing agreements and covenants contained or referred to in this Agreement shall survive the execution and delivery of this Agreement, and it shall not be a condition precedent to any indemnity set forth herein that the indemnified party shall have made any payment on account of any claim, loss, damage, obligation, liability, deficiency, penalty, cost or expense indemnified against herein.

15.11. Amendment. The Partners acknowledge that the exhibits to this Agreement will be finalized subsequent to the execution of this Agreement. Subject to the provisions of Section 7.3, this Agreement may be amended by the Partnership Board.

15.12. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective representatives, successors and permitted assigns.

15.13. Third Party Beneficiaries. Nothing in this Agreement shall be for the benefit of anyone not a party to this Agreement.

15.14. Incorporation. All exhibits attached to this Agreement are incorporated herein by this reference.

15.15. Execution in Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be an original instrument, but all of which shall constitute one and the same agreement.

15.16. Entire Agreement. This Agreement, including any exhibits, supersedes all previous written or oral agreements between the parties hereto with respect to the subject matter hereof. Furthermore, upon the attachment of the last exhibit to be attached to this Agreement, the Letter of Intent, dated March 25, 1997, between the University and Universal Health Services, Inc., shall be terminated and the parties thereto shall have no further rights or obligations thereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date first above written.

UHS of D.C., INC

367 South Gulph Road
P.O. Box 61558
King of Prussia, PA 19046-0958

By: _____
Richard C. Wright
Its: _____
Vice President

THE GEORGE WASHINGTON UNIVERSITY

2121 I Street, N.W.
Suite 701, Rice Hall
Washington, DC 20052

By: _____
Louis H. Katz
Its: Vice President and Treasurer

EXHIBIT 1.35

PERCENTAGE INTERESTS OF THE PARTNERS

GENERAL PARTNER

Name	Interest
UHS	1%

LIMITED PARTNERS

Name	Interest
UHS	79%
The University	20%

EXHIBIT 7.2.3

INITIAL BOARD OF DIRECTORS

EXHIBIT 10.3
Execution
Copy

CONTRIBUTION AGREEMENT

BETWEEN

THE GEORGE WASHINGTON UNIVERSITY
(A CONGRESSIONALLY CHARTERED INSTITUTION
IN THE DISTRICT OF COLUMBIA)

AND

DISTRICT HOSPITAL PARTNERS, L.P.
(A DISTRICT OF COLUMBIA LIMITED PARTNERSHIP)

DATED AS OF MAY 5, 1997

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CONTRIBUTION AGREEMENT

This Contribution Agreement (the "Agreement") is made and entered into as of the 5th day of May, 1997 (the "Effective Date"), by and among The George Washington University, a congressionally chartered institution in the District of Columbia ("Transferor"), District Hospital Partners, L.P., a District of Columbia limited partnership (the "Partnership"), and UHS of D.C., Inc., a Delaware corporation that is general partner of the Partnership (the "General Partner.")

RECITALS:

A. Transferor engages in the business of delivering health care services to the public through a variety of health care providers, facilities, and systems. One of Transferor's health care providers is the acute care hospital facility commonly known as The George Washington University Hospital located at 901 23rd Street, N.W. in Washington, D.C. (the "Hospital" or the "Transferor Business").

B. Transferor desires to contribute and transfer substantially all of the non-cash assets and current liabilities used in the operation of the Transferor Business, other than certain assets and liabilities specifically excluded from the Transferor Business which shall be retained by Transferor, to the Partnership in exchange for an interest as a limited partner in the Partnership.

C. Other than certain assets and liabilities specifically excluded from the Transferor Business, the Partnership desires to acquire the Transferor Business from Transferor, upon the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, and for their mutual reliance, the parties hereto agree as follows:

ARTICLE I
TRANSFER OF TRANSFEROR ASSETS

1.1. Transfer of Transferor Business. On the basis of the representations and warranties of the parties and subject to the terms and conditions set forth in this Agreement,

(a) On the Closing Date (as defined in Section 1.4), Transferor shall assign, transfer, convey and deliver to the Partnership, and the Partnership shall acquire, all of the assets, properties and businesses owned by Transferor that are associated with or used in the operation of the Transferor Business, as a going concern, of every kind and description, wherever located, whether tangible or intangible, real, personal or mixed, as such assets shall exist on the Closing Date, excluding the Excluded Assets (as defined in Section 1.1(b) below),

such transfer being deemed to be effective at the Effective Time (as defined in Section 1.4), including, without limitation, the following assets, properties and businesses (collectively, the "Assets"):

1. the following real estate:

a. a leasehold interest in the real property comprising the Hospital site (the "Leased Real Estate") pursuant to that certain Ground Lease between Transferor and the Partnership in the form of Exhibit 1.6(a)(9) attached hereto (the "Ground Lease);

b. a leasehold interest in all buildings, improvements, other constructions, construction-in-progress and fixtures (including the Hospital building) (collectively, the "Improvements") now or hereafter located on the Leased Real Estate (the Leased Real Estate and Improvements are hereinafter collectively referred to as the "Premises" and more particularly described in Exhibit 1.1(a)(1)(b) attached hereto) pursuant to the Ground Lease;

c. all of Transferor's rights as landlord, tenant or subtenant under the leases described in Exhibits 2.8(b) (the "Real Estate Leases");

2. all tangible personal property (collectively, the "Personal Property") of every kind and nature, including without limitation, all furniture, machinery, vehicles, owned or licensed computer systems, and equipment, including, without limitation, the Personal Property listed in Exhibit 1.1(a)(2) hereto;

3. all inventories of Transferor that are used in the Transferor Business and other disposables which are existing as of the Closing Date, with inventories recorded in the Transferor's inventory records designated on Exhibit 1.1(a)(3) (the "Purchased Inventory");

4. all accounts receivable relating to the Transferor Business except as set forth in Exhibit 1.1(a)(4);

5. all intangible property (collectively, the "Intangible Property") of every kind and nature, including, without limitation, the following:

a. all telephone numbers;

b. to the extent transferable, all licenses, permits, certificates, franchises, registrations, authorizations, filings, consents, accreditations, approvals and other indicia of authority issued to Transferor relating to the operation of the Transferor Business as presently conducted by Transferor, and relating to any renovation or construction on the Premises (collectively, the "Licenses and Permits"), which Licenses and Permits are listed in Exhibit 1.1(a)(5)(b) attached hereto;

c. all pending claims, proceeds or any other amounts payable under any policy of insurance maintained by Transferor with respect to destruction of, damage to or loss of use of any of the Assets;

d. only those advance payments, prepayments, prepaid expenses, deposits and the like (the "Prepaids") which are existing as of the Closing Date, including Utilities (subject to the prorations provided in Section 1.7 of this Agreement), which were made by Transferor solely with respect to Transferor's operation of the Transferor Business and, with respect to which, the General Partner determines that the assets created thereby are usable by and transferable to the Partnership (the "Purchased Prepaids"), the current categories and amounts of which are set forth in Exhibit 1.1(a)(5)(d);

e. Transferor's rights pursuant to the Personal Property Leases (as defined in Section 2.9(b)), the Participation Agreements (as defined in Section 1.1(c)(3), and the Contracts (as defined in Section 2.11 below);

f. Transferor's goodwill and general intangibles associated with the Transferor Business;

g. to the extent assignable, all warranties, guarantees and covenants not to compete with respect to any of the Transferor Business as identified in Exhibit 1.1(a)(5)(g).

6. to the extent assignable, the original or true and correct copies of all documents, books, records, forms and files relating to the Assets, including, without limitation, the following:

a. patient and medical records and all other medical and financial information regarding patients at the Transferor Business;

b. patient lists;

c. employment and personnel records relating to Transferor Employees;

d. personnel policies and manuals, electronic data processing materials, books of account, accounting books, financial records, cost reports, journals and ledgers relating to the Transferor Business and Transferor Employees;

e. all material, documents, and information relating to the Premises, the Leased Personal Property, the Personal Property, the Participation Agreements, and the Contracts, including, without limitation, the originals of all of the leases, the Participation

Agreements, and Contracts, and copies of all title information (including but not limited to all title insurance policies, commitments, acts of sale, covenants, conditions, restrictions, leases, licenses, occupancy agreements, easements, servitudes, and other items of record), all environmental studies, reports and information, all property use and operational material, plans and specifications, contracts, site plans, plats, surveys, zoning material, correspondence, and governmental material (i.e., licenses, permits, notices, and other matters with respect to governmental authorities), information and notices.

7. all licenses or other rights to use patents, trademarks, service marks, trade names or copyrights necessary to conduct or to continue the Transferor Business as heretofore conducted, but excluding the names "The George Washington University Hospital," "The George Washington University," "The George Washington University Medical Center," and "The George Washington University Medical Faculty Associates" except as set forth in Exhibit 2.11; and

8. other current non-cash assets reflected on the Final Balance Sheet of the Transferor Business.

(b) Notwithstanding the foregoing, the Transferor assets identified on Exhibit 1.1(b) (the "Excluded Assets") are not included in the definition of "Assets" and shall not be transferred by Transferor to the Partnership.

(c) On the Closing Date, Transferor shall assign, and the Partnership shall assume and agree to discharge, the following liabilities and obligations of Transferor and only the following liabilities and obligations (collectively, the "Assumed Obligations"):

1. the obligations arising on or after the Closing Date under the Personal Property Leases, as indicated on Exhibit 2.9(b) attached hereto;

2. the obligations arising on or after the Closing Date under the Contracts, as indicated on Exhibit 2.11 attached hereto;

3. the obligations arising on or after the Closing Date under the participation agreements and provider agreements with third party payers, listed on Exhibit 2.18(c) attached hereto (the "Participation Agreements");

4. those open purchase orders which were entered into by Transferor in the ordinary course of business with respect to the Transferor Business before the Closing Date, committed purchases under which do not exceed $25,000 for any one purchase order or $1,000,000 for all purchase orders and which provide an obligation to purchase goods and services to be delivered subsequent to the Closing Date, or any open purchase orders entered into by UHS of Delaware, Inc. or its affiliate acting as manager of the Transferor

Business prior to the Closing Date pursuant to the Management Services Agreement dated as of April 2, 1997 and attached hereto as Exhibit 1.1(c)(4) (the "Manager");

5. all unpaid state, city and county personal and real property taxes, if any, that are directly attributable to the Assets or the Premises (the "Property Taxes") for periods on or after the Closing Date, subject to the prorations provided in Section 1.7 of this Agreement;

6. all utilities being furnished to the Transferor Business (the "Utilities") arising on or after the Closing Date, subject to the prorations provided in Section 1.7 of this Agreement;

7. all liabilities and obligations arising from acts or omissions on or after the Closing Date with respect to the Transferor Employees, including, without limitation, costs associated with employee severance and reductions in force and liability under collective bargaining agreements;

8. all general and professional liability for claims arising out of acts or omissions on or after the Closing Date;

9. all liability associated with the breach of any contract or commitment by the Partnership; and

10. any other obligations and liabilities identified in Exhibit 1.1(c)(10) attached hereto; and

11. other current liabilities reflected on the Final Balance Sheet of the Transferor Business except as set forth on Exhibit 1.1(c)(11) attached hereto.

(d) Notwithstanding the foregoing provisions of Section 1.1(c) above, Transferor shall retain and not assign and the Partnership shall not assume and shall not be liable for any other liability or obligation of Transferor other than the Assumed Obligations ("Excluded Liabilities").

1.2. Consideration.

The aggregate consideration to the Transferor for the Assets shall consist of:

(a) the Assumed Obligations;

(b) a twenty percent (20%) limited partnership interest in the Partnership, subject to the adjustments in Section 1.3, and which interest in the Partnership provides Transferor with the additional rights and obligations set forth in the Agreement of Limited

Partnership of District Hospital Partners, L.P. (the "Partnership Agreement"), in substantially the form attached as Exhibit 1.2(b) hereto; and

(c) additional rights and obligations under the Ancillary Agreements (as defined in Section 1.6(a), including academic support under the Academic Affiliation Agreement.

1.3. Adjustments. The Net Working Capital associated with the Assets shall be adjusted at Closing to the extent that Net Working Capital, as reflected in the final balance sheet of Transferor with respect to the Transferor Business prepared as of the Closing Date (the "Final Balance Sheet"), is greater than $21,000,000 or less than $19,000,000. The Partnership shall engage an independent accountant to perform an audit of Net Working Capital. If Net Working Capital, as reflected in the Final Balance Sheet, is less than $21,000,000 and greater than $19,000,000, there shall be no adjustment. If Net Working Capital, as reflected in the Final Balance Sheet, is less than $19,000,000, then Transferor shall pay to the Partnership the difference in cash. If Net Working Capital, as reflected in the Final Balance Sheet, is greater than $21,000,000, then Partnership shall pay to Transferor the difference in cash. For purposes of this Section 1.3, "Net Working Capital" shall mean the difference between current assets of the Transferor Business to be contributed to Partnership (which consists of (i) accounts receivable (but not accounts receivable under medical training program affiliation agreements which as of January 31, 1997 were $2,166,030), (ii) other, and (iii) inventory)) and the current liabilities of the Transferor Business to be assumed by the Partnership (which consists of (i) accounts payable and (ii) accrued expenses (but not accrued salary and benefits under medical training program affiliation agreements which as of January 31, 1997 were $303,115)).

1.4. Closing Date. The consummation of the transaction contemplated by this Agreement (the "Closing") shall take place at 9:00 a.m. on the fifth (5th) business day after the date on which the District of Columbia Certificate of Need is granted, at the offices of Ropes & Gray in the District of Columbia or such other date, time and place as the parties shall mutually agree (the "Closing Date"); provided that all conditions precedent and other matters required to be completed as of the Closing Date have been or will be completed on such date. The closing of the transaction shall be deemed to be effective as between the parties as of 12:01 a.m. Eastern Time on the Closing Date (the "Effective Time").

1.5. Action of the Parties. At the Closing, Transferor shall make the contribution to, and Parties shall execute and deliver such documents, agreements, instruments and certificates as may be necessary or reasonably requested to effect the contribution and to evidence the satisfaction of the conditions precedent to the obligations of the parties hereto (except to the extent waived in writing by the appropriate party) including each of the Ancillary Agreements. In addition, the General Partner shall cause the Partnership to take all actions contemplated by this Agreement and shall execute and deliver such other documents,

agreements, certificates and instruments as the parties hereto shall deem reasonably necessary to consummate the transactions described herein.

1.6. Items to be Delivered at the Closing.

(a) Transferor. At or before the Closing, Transferor shall execute and/or deliver or cause to be delivered to the Partnership the following:

1. a favorable original certificate of good standing issued by the District of Columbia Department of Consumer and Regulatory Affairs;

2. copies of certificates of insurance or evidence of self-insurance evidencing insurance coverage up to Closing as described in Exhibit 2.16 attached hereto;

3. copies of certificates of insurance evidencing the "tail" coverage (or self-insurance program) required to be maintained pursuant to Section 5.11, as applicable;

4. an opinion of Transferor's counsel in substantially the form attached hereto as Exhibit 9.8;

5. UCC-3 termination statements for any and all financing statements filed with respect to the Assets;

6. the Partnership Agreement in substantially the form attached hereto as Exhibit 1.2(b).

7. the Trademark License Agreement in substantially the form attached hereto as Exhibit 1.6(a)(7) (the "Trademark License Agreement")

8. the Parking Rental Agreement in substantially the form attached hereto as Exhibit 1.6(a)(8) (the "Parking Rental Agreement");

9. the Ground Lease in substantially the form attached hereto as Exhibit 1.6(a)(9) (the "Ground Lease") which lease shall provide the Partnership with certain real property at a rental rate of One Dollar ($1) per year for a term not to exceed fifty (50) years;

10. The University Services Agreement in substantially the form attached hereto as Exhibit 1.6 (a)(10) (the "University Services Agreement");

11. the GWUHP Hospital Provider Agreement in substantially the form attached hereto as Exhibit 1.6(a)(11) (the "Provider Agreement");

12. the Academic Affiliation Agreement in substantially the form attached hereto as Exhibit 1.6(a)(12) (the "Affiliation Agreement");

13. a certificate of the President or the Vice President and Treasurer of Transferor certifying to the Partnership, to the best of the officer's knowledge, (i) the accuracy of the representations and warranties set forth in Article II hereof and compliance with Transferor's covenants set forth in this Agreement and (ii) that all consents and approvals that Transferor is required to obtain from any person, entity, governmental body or regulatory agency in connection with (a) the transfer of the Assets by Transferor to the Partnership, and (b) the execution, delivery and performance of the Trademark License Agreement, Ground Lease, Parking Rental Agreement, University Services Agreement, Provider Agreement, and Affiliation Agreement (collectively, the "Ancillary Agreements") or that are required in order to prevent a breach or default under or termination of any material agreement which is included as part of the Assets, have been obtained;

14. a certificate of the corporate Secretary of Transferor certifying to the Partnership (i) the incumbency of the officers of Transferor from the Effective Date to the Closing Date and bearing the authentic signatures of all such officers who shall execute this Agreement and any additional documents contemplated by this Agreement; (ii) as to the resolutions of the Board of Trustees of Transferor authorizing (a) the transfer of the Assets by Transferor to the Partnership, (b) the execution, delivery and performance of this Agreement by Transferor, and (c) the execution, delivery and performance of the Ancillary Agreements; (iii) that such resolutions have not been amended or rescinded and remain in full force and effect; and (iv) the current Charter and Bylaws of Transferor;

15. copies of all third party consents obtained in connection with (i) the transfer of the Assets to the Partnership and (ii) the execution, delivery and performance of the Ancillary Agreements, and a certificate that any consents not obtained are not material or could not be obtained through reasonable efforts;

16. copies of the documents executed and/or delivered in connection with the transfer of the Assets by Transferor to the Partnership which are identified in Exhibit 1.6(a)(16) attached hereto;

17. such other bills of sale, instruments of title, certificates, consents, endorsements, assignments, assumptions and other documents or instruments, in a form reasonably satisfactory to the Partnership, as may be reasonably requested by the Partnership in order to transfer the Assets of Transferor to the Partnership, to carry out the transaction contemplated by this Agreement and to comply with the terms hereof.

(b) The Partnership. At or before the Closing, the Partnership shall execute and/or deliver or cause to be delivered to Transferor the following:

1. a certificate of the General Partner acknowledging receipt of the Assets and conferring an interest as a limited partner;

2. a certificate of the General Partner certifying to the Transferor (i) the accuracy of the representations and warranties set forth in Article III hereof and compliance with the Partnership's covenants set forth in this Agreement and (ii) that all consents and approvals that are required from any person, entity, governmental body or regulatory agency in connection with the execution of their Agreement, the Ancillary Agreements, and the Guaranty Agreement, and the consummation of the transaction contemplated by this Agreement by the Partnership have been obtained;

3. a certificate of the corporate secretary of the General Partner certifying to Transferor on behalf of the General Partner (i) the incumbency of the officers of the General Partner from the Effective Date to the Closing Date and bearing the authentic signatures of all such officers who shall execute this Agreement and any additional documents contemplated by this Agreement; and (ii) as to the resolutions of the Board of Directors of the General Partner authorizing the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, and that such minutes and resolutions have not been amended or rescinded and remain in full force and effect;

4. a favorable original certificate of status of the Partnership issued by the District of Columbia Department of Consumer and Regulatory Affairs;

5. the Management Services Agreement in the form of Exhibit 1.1(c)(4) attached hereto (the "Management Services Agreement");

6. copies of certificates of insurance or evidence of self-insurance evidencing insurance coverage from Closing of the types and in amounts adequate to cover the properties and operations of the Transferor Business, the Transferor, the Partnership, and the Assets and their respective financial conditions against the risks involved in the Transferor Business and the ownership of the Assets;

7. the Guaranty Agreement described in Section 7.2 hereof;

8. certificates of federal and all applicable state or local tax good standing of the General Partner;

9. certificates of District of Columbia and federal tax good standing of the Partnership;

10. Certificate of Incorporation and Bylaws of the General Partner, in the form of Exhibit 1.6(b)(10) attached hereto;

11. such other instruments, certificates, consents or other documents as may be reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof.

1.7. Prorations. The parties shall prorate as of the Closing date the rent, utilities and property taxes and other amounts payable pursuant to the Personal Property Leases and contracts, so that the Partnership shall pay only such obligations arising with respect to the period after the Closing Date.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF TRANSFEROR

The truth, accuracy and material completeness of Transferor's representations, warranties and covenants contained in this Agreement, to the best of Transferor's knowledge, shall be conditions precedent to the Partnership's obligation to close under this Agreement; provided, however, that as an inducement to the Partnership to enter into this Agreement and to consummate the transactions contemplated by this Agreement, Transferor hereby represents, warrants and covenants to the Partnership as to the following matters, and, except as otherwise provided herein, shall be deemed to remake all of the following representations, warranties and covenants as of the Closing Date.

2.1. Organization and Good Standing Transferor is a congressionally chartered corporation, duly organized, validly existing and in good standing under the laws of the United States. Transferor has the full corporate power and authority to own, lease and operate its properties and assets as presently owned, leased and operated, to carry on its businesses as such businesses are now being conducted and is duly qualified to transact business in each jurisdiction in which the failure to so qualify would adversely affect its businesses.

2.2. Authority; Validity; No Breach.

(a) Except as provided in Exhibit 2.2(a), Transferor has the full right, power and authority, without the consent of any other person or governmental entity, to execute, deliver and carry out the terms of this Agreement and all documents and agreements necessary to give effect to the provisions of this Agreement and to consummate the transactions contemplated hereby. All corporate and other actions required to be taken by Transferor to authorize the execution, delivery and performance of this Agreement, the Ancillary Agreements, and all documents executed by it which are necessary to give effect to this Agreement, the Ancillary Agreements, and all material transactions contemplated hereby or therein have been duly and properly taken or obtained or will be duly and properly taken or obtained by Transferor prior to the Closing Date. No other corporate or other action on the part of the Transferor is necessary to authorize the execution, delivery and performance of this Agreement, the Ancillary Agreements, all documents necessary to give effect to this Agreement, the Ancillary Agreements, and all material transactions contemplated hereby.

(b) This Agreement is, and the Ancillary Agreements and other documents to be delivered at Closing will be, the lawful, valid and legally binding obligations of Transferor enforceable in accordance with their respective terms. Except as set forth in Exhibit 2.2(b) attached hereto, the execution and delivery of this Agreement and the Ancillary Agreements, and the consummation of the transactions contemplated will not, with or without the giving of notice and/or the passage of time: (a) violate or conflict in any material respect with the Charter or Bylaws of Transferor or any provision of law, statute, rule or regulation to which Transferor is subject; (b) violate or conflict in any material respect with any judgment, order, writ or decree of any court applicable to Transferor; (c) violate or conflict in any material respect with any law or regulation applicable to Transferor; or (d) result in the material breach or termination of any provision of, or create rights of acceleration or constitute a default under, the terms of any indenture, mortgage, deed of trust, contract, agreement or other instrument to which Transferor is a party which result in the creation or imposition of any material lien, privilege, charge or encumbrance upon any of the Assets.

2.3. Extent of Assets. The Assets include, without limitation, all of the real (immovable) and personal (movable) property, intangible (incorporeal) property, rights and other assets of every kind and nature whatsoever owned, leased or used by Transferor in connection with the operation of the Transferor Business prior to the Closing Date, excluding the Excluded Assets.

2.4. Consents and Approvals. Except as set forth in Exhibit 2.4 hereto, no consent, approval, permit, waiver, authorization or other action of or by any court, governmental or nongovernmental person or entity, is required in connection with (a) the transfer of the Assets to the Partnership, or (b) the execution, delivery or performance of this Agreement or the Ancillary Agreements by Transferor.

2.5. Financial Statements. Attached hereto as Exhibit 2.5 are true and complete copies of audited financial statements of Transferor, with respect to the operation of The George Washington University Medical Center for the years ended June 30, 1994, June 30, 1995 and June 30, 1996 (the "Audited Financial Statements"), the unaudited balance sheets of Transferor, with respect to the operation of the Transferor Business as of June 30, 1996 and January 31, 1997, respectively, the unaudited income statements of Transferor, with respect to the operation of the Transferor Business for the periods ended June 30, 1996 and January 31, 1997, respectively and the unaudited cash flow statements with respect to the operation of the Transferor Business for the periods ended June 30, 1996 and January 31, 1997, respectively (collectively the "Interim Financial Reports"). In addition, Transferor shall provide to the Partnership, as promptly as each becomes available prior to the Closing Date, all other Interim Financial Reports with respect to the operation of the Transferor Business. The Audited Financial Statements referred to in this Section 2.5 are and will be true, complete and correct in all material respects and will present fairly and accurately the financial condition of the Transferor Business and the results of its operations at the dates and for the periods indicated

and will have been prepared in material conformity with generally accepted accounting principles, applied consistently for the periods specified, at the dates and for the periods indicated. Further, the Interim Financial Reports for the periods ended June 30, 1996 and January 31, 1997 respectively accurately reflect in all material respects the financial condition of the Transferor Business as of their respective dates and the results of operations of the Transferor Business for the periods indicated with reasonable reserves and allowances. From and after the date of the Audited Financial Statements, Transferor has not (and at Closing shall not have) made any changes in its accounting methods or practices.

2.6. Absence of Undisclosed Liabilities. Except as set forth in Exhibit 2.6 attached hereto, the Assets are not subject to any material liens, privileges, pledges, security interests, rights of first refusal, options, encumbrances, liabilities or defects in title of any material nature, whether absolute, accrued, contingent, asserted or, to Transferor's knowledge, unasserted, or otherwise prior to the Closing Date.

2.7. Absence of Adverse Changes. Except as set forth in Exhibit 2.7 attached hereto, since January 31, 1997, there has not been any material adverse change, and there is no fact, circumstance, event, occurrence, contingency or condition that might reasonably be expected to result in a material adverse change, whether or not in the ordinary course of business and whether or not covered by insurance, in the working capital, financial condition, assets, liabilities, reserves, business, operations or prospects of the Transferor Business.

2.8. Title to and Condition of Premises.

(a) Exhibit 1.1(a)(1)(b) attached hereto sets forth a legal description and the address of all real (immovable) property that constitutes a part of the Premises and which is subject to the Ground Lease. Except as set forth in a commitment for title insurance as revised on April 28, 1997 (the "Title Report"), Transferor has good, clear, indefeasible, insurable and marketable title in fee simple to (and full, undivided ownership interest in) the Premises, which ownership, as of the Closing Date, will be free and clear of any and all mortgages, deeds of trust, security interests, mechanics liens, or encumbrances except as set forth in the Title Report. Except as provided in Exhibit 1.1(a)(1)(b) attached hereto, there are no purchase contracts, options or other material agreements of any kind whereby any person or entity will have acquired or will have any basis to assert any material right, title or interest in, or right to the possession, use, enjoyment or proceeds of any part or all of the Premises.

(b) Exhibit 2.8(b) attached hereto sets forth an accurate and complete list of all real property leases, subleases, options or commitments, oral or written, pursuant to which Transferor is a lessor, lessee or sublessee connected with the Transferor Business, including, without limitation, all retail and office space leases connected with the Transferor Business (collectively referred to as "The Real Estate Leases"). Exhibit 2.8(b) includes the rent and security deposit, if any for each Real Estate Lease. Transferor has provided the Partnership with complete and correct copies of all Real Estate Leases. Except for the Real Estate Leases

listed in Exhibit 2.8 (b), there are no other leases of space within real (immovable) property owned or leased by Transferor connected with the Transferor Business.

Except as set forth in Exhibit 2.8(b): (i) the Real Estate Leases have not been materially modified, amended or assigned, are legally valid, binding and enforceable in accordance with their respective terms and are in full force and effect; (ii) there are no material monetary defaults and no material nonmonetary defaults by Transferor or, to the knowledge of Transferor, any other party to the Real Estate Leases; (iii) Transferor has not received notice of any material default, offset, counterclaim or defense under any of the Real Estate Leases; (iv) no Real Estate Lease or any right granted in connection therewith is subordinate to any mortgage, lien, privilege, or other material encumbrance; and (v) no condition or event has occurred which with the passage of time or the giving of notice or both would constitute a default or breach by Transferor of the material terms of any of the Real Estate Leases.

(c) Except as set forth in Exhibit 2.8(c) and to the knowledge of the Vice President and Treasurer, the Vice President of Medical Affairs, and the Vice President and General Counsel of Transferor, Transferor has received no unresolved, pending notice from any governmental agency of non-compliance with applicable building, zoning, and other land use and similar laws, codes, ordinances, rules, regulations and orders, including without limitation, the Americans With Disabilities Act (other than environmental laws, which are more particularly described below) (collectively, "Real Property Laws"), except for any noncompliance that would not have a material adverse effect upon the Assets or the use of the Assets for their current use.

(d) Transferor has all easements, servitudes, and rights of way necessary for access to the Premises, and there exists reasonably unrestricted access to a public street from each parcel of the Premises at and over existing passageways, driveways, and access ways. All utilities serving the Premises are, and shall be at Closing, adequate to operate any buildings presently on the Premises, including the Improvements in the manner they are currently operated. Except as described in Exhibit 2.8(d), no Improvements forming part of the Premises: (i) encroach onto adjacent property; (ii) violate set-back, building or side-lines; or (iii) encroach onto any easements or servitudes located on the Premises.

(e) Neither the whole nor any portion of the Premises owned, leased, occupied or used by Transferor has been condemned, requisitioned or otherwise taken by any public authority (a "Public Taking"), and no notice of any Public Taking has been received by Transferor with regard to the Premises. To the knowledge of Transferor, no such Public Taking is threatened or contemplated. No material public improvements have been ordered to be made and/or which have not heretofore been assessed, and no special, general or other assessments are pending or, to Transferor's knowledge, threatened against or affecting the Premises.

(f) All materials, documents, and information delivered by or on behalf of Transferor relating or pertaining in any way to the Premises, including but not limited to all material or information as to the ownership, rights, use, or occupancy thereof, all title information thereto (including but not limited to, all title insurance policies, commitments, deeds, covenants, conditions, restrictions, leases, licenses, occupancy agreements, easements and other items of record), all environmental studies, reports and information, all property use and operational material, plans and specifications, contracts, site plans, plats, surveys, zoning material, correspondence with landlords or governmental authorities, and governmental material, information and notices regarding or relating in any way to any of such Premises are in all material respects accurate and complete copies of such information and documents.

(g) [intentionally omitted]

(h) (1) Except as identified in Exhibit 2.8(h):

(i) Transferor has previously complied, and is currently complying, in all material respects with all federal, state and local environmental statutes, laws, ordinances, orders, rules, regulations and moratoria, including, without limitation, the Clean Air Act, as amended ("CAA"); the Safe Drinking Water Act, as amended ("SDWA"); the Resource Conservation and Recovery Act, as amended ("RCRA"); the Hazardous Material Transportation Act, as amended ("HMTA"); the Occupational Safety and Health Act of 1970, as amended ("OSHA"); the Toxic Substances Control Act ("TSCA"); the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act of 1986, as amended ("CERCLA"); analogous statutes of the District of Columbia, as amended; and all other similar and applicable laws, ordinances, orders, rules, regulations or moratoria (collectively "Environmental Laws") as they apply to the Premises. Transferor has not received any notice alleging any material noncompliance with or potential liability pursuant to any of such Environmental Laws or any environmental permits issued to Transferor with respect to the Premises.

(ii) No medical wastes or hazardous wastes, as defined in Subtitle C of RCRA or under applicable District of Columbia or state law, and no hazardous substances, as defined in CERCLA or under applicable District of Columbia or state law, and no hazardous materials, as defined by HMTA or under applicable District of Columbia or state law, and no toxic or hazardous air or water pollutants, as defined in CAA, CWA, SDWA, TSCA or any other toxic, infectious or noxious substances and/or any waste or recycled products thereof (as such substances are defined by Environmental Laws (collectively "Hazardous Substances")) have ever been transported, generated, treated, used, stored, spilled, leaked, or disposed of by Transferor in connection with the Transferor Business or, any prior owners, operators or lessees of the Premises, on the Premises (which for purposes of this Section shall include, without limitation, the air above and all surface and subsurface soil and water) or at any location in the immediate area of the Premises, except as in compliance with law or as would not have a material adverse environmental effect.

(iii) There has not been in the past, nor is there now occurring on the Premises any release or threatened release, as those terms are defined in Environmental Laws, of any Hazardous Substances from any source, except as in compliance with law or as would not have a material adverse environmental effect. Further, there are no Hazardous Substances, polychlorinated biphenyls ("PCBs"), asbestos, radon, chemicals, or other conditions or uses of the Premises or property in its vicinity, whether natural or man-made, which pose a present or potential threat of damage to the health of persons, to property, to natural resources or to the environment, except as in compliance with law or as would not have a material adverse environmental effect. No underground storage tanks, as defined in Environmental Laws, are present on or under the Premises, and no such tanks were previously situated on or under, or abandoned or removed on or from, the Premises.

(iv) Transferor does not have any material liability, responsibility or obligation, whether fixed, unliquidated, absolute, contingent or otherwise, under or pursuant to any Environmental Laws or pursuant to any common law rights relating to Hazardous Substances in connection with the Premises including, without limitation, any material liability, responsibility or obligation to any person, entity or governmental authority for fines, violations, penalties, personal injury, damages or awards, or for investigation, expense, removal, or remedial action to effect compliance with or discharge any duty, obligation or claim under any such laws or regulations ("Environmental Claims"), and Transferor has no reason to believe that any such Environmental Claims exist or may be brought or threatened in connection with the Premises, except as would not have a material adverse effect.

(v) Neither Transferor nor any prior owners or operators or lessees of the Premises, has handled or disposed of, transported or arranged for the transportation or disposal of any Hazardous Substances, in any manner, which may form the basis for any present or future claim, demand or action seeking investigation, response, removal, remedial actions or material expense on the Premises or any body of water (including surface or subsurface waters) at, under or in the vicinity of the Premises, except as in compliance with law or as would not have a material adverse environmental effect. Neither Transferor nor any prior owners or operators or lessees of the Premises has ever sent, arranged for disposal or treatment, arranged with a transporter for transport for disposal or treatment, transported, or accepted for transport any Hazardous Substances from the Premises to a facility, site or location, which, pursuant to CERCLA or any Environmental Law, (a) has been placed or is proposed to be placed, on the National Priorities List (as such term is defined in CERCLA), or any analogous state cleanup list, or (b) which is subject to a claim, administrative order or other demand or request to take removal or remedial action by any person, entity or governmental authority.

(2) To the extent that they contain findings material to the Transferor Business, Exhibit 2.8(h) identifies all environmental audits, investigations or assessments with respect to the Premises or occupational health studies undertaken by or on behalf of the

Transferor Business or at the request or order of any governmental agencies with respect to the Transferor Business, or the results of groundwater, surface water, air and soil testing, underground storage tank tests, building material or paint testing, and known written communications with federal, state or local governments regarding Environmental Laws and/or OSHA matters relating to the Premises, their operations or the individuals employed at or by Transferor in connection with the Premises.

2.9. Title to and Condition of Personal Property.

(a) Transferor has, and on the Closing Date, will have, good, clear, indefeasible, insurable and marketable title to and ownership of all the Personal Property, including, without limitation, the Personal Property identified in Exhibit 1.1(a)(2) attached hereto. Except as set forth on Exhibit 2.9(a) attached hereto, none of the Personal Property is subject to, as of the Closing Date, any material security interest, mortgage, pledge, lien, privilege, right of first refusal, option, liability, covenant, charge or encumbrance of a material nature.

(b) Exhibit 2.9(b) attached to this Agreement sets forth an accurate and complete list of all leases of personal property to which Transferor is a party (the "Personal Property Leases"). Transferor has provided the Partnership with complete and correct copies of all Personal Property Leases. Except as set forth in Exhibit 2.9(b) attached hereto: (i) the Personal Property Leases have not been modified, amended or assigned, are legally valid, binding and enforceable in accordance with their respective terms and are in full force and effect; (ii) there are no monetary defaults and no material nonmonetary defaults by Transferor or, to Transferor's knowledge, any other party to the Personal Property Leases; (iii) Transferor has not received notice of any material default, offset, counterclaim or defense under any Personal Property Leases; and (iv) no condition or event has occurred which with the passage of time or the giving of notice or both would constitute a default or breach by Transferor of the terms of any Personal Property Leases.

(c) There are no material defects in or materially unsafe conditions with respect to the Personal Property and Transferor has no knowledge of any facts which would make the Personal Property unsuitable for the uses for which the respective items of Personal Property are intended.

2.10. Intellectual Property. A true and complete list of all intellectual property is included in Exhibit 2.11 attached hereto. Transferor owns or possesses adequate licenses or other rights to use all such intellectual property, and no rights thereto have been granted to others by Transferor. Except as set forth in Exhibit 2.11 attached hereto, no patents, trademarks, service marks, trade names or copyrights are necessary to conduct or to continue the Transferor Business as heretofore conducted (except the name "The George Washington University Hospital," the use of which is subject to the Trademark License Agreement). Subject to the Trademark License Agreement, Transferor's use of the Assets does not infringe

upon or otherwise violate the rights of others, and none of the intellectual property is being infringed upon by others.

2.11. Contracts, Obligations and Commitments. Exhibit 2.11 attached hereto sets forth an accurate and complete list of all of the contracts which are currently in effect with respect to the construction, renovation, ownership, servicing, maintenance, occupancy and/or operation of the Assets (collectively, the "Contracts"). (Notwithstanding the foregoing sentence, the Partnership acknowledges that some of the Contracts also relate to businesses which are not part of the Transferor Business (e.g. the Medical Faculty Associates) and that Transferor and the Partnership will have to revise such Contracts accordingly.) Transferor has provided the Partnership with complete and correct copies of all such contracts. Except for the Contracts listed in Exhibit 2.11, the Personal Property Leases listed in Exhibit 2.9(b), the Participation Agreements listed in Exhibit 2.18(c) and the purchase orders described in Section 1.1(c)(4), there are no other material contracts or other arrangements to which Transferor is a party or under which goods, equipment or services are provided, leased or rendered, in any material degree, to the Premises (or any part thereof) or the Assets. Except as set forth in Exhibit 2.11: (i) none of the Contracts has been materially modified, pledged, assigned or amended, and all of the Contracts are legally valid, binding and enforceable in accordance with their respective terms and are in full force and effect; (ii) there are no defaults by Transferor, or to the knowledge of Transferor, any other party to the Contracts, (iii) Transferor has not received notice of any default, offset, counterclaim or defense under any Contract; and (iv) no condition or event has occurred which with the passage of time or the giving of notice or both would constitute a default or breach by Transferor of the terms of any Contract.

2.12. Inventory. Except as provided in Exhibit 2.12, all Purchased Inventory, as set forth in Exhibit 1.1(a)(3), is valued on Transferor's books at the lower of cost or market value, on a first-in first-out basis, and contains no material amounts that are not salable, of good and merchantable quality, and not obsolete and usable for the purposes intended in the ordinary course of business. All Purchased Inventory disposed of subsequent to January 31, 1997 have been disposed of only in the ordinary course of business and at prices and under terms that are normal and consistent with past practice. All of the Purchased Inventory and supplies are, and at the Closing will be, maintained in such quantities as are appropriate for hospitals of the size of and with the services offered by the Transferor Business, and at the Closing, shall be approximately in the quantities that exist as of the Effective Date.

2.13. Employees.

(a) Exhibit 2.13(a) attached to this Agreement contains a current, correct and complete list of the names and current hourly wage, monthly salary and other compensation of all employees of Transferor working in the Transferor Business (i.e., only Hospital employees) (collectively, the "Transferor Employees"). Except as set forth in Exhibit 2.13(a), Transferor is not a party to any oral (express or implied) or written: (i)

employment agreement, (ii) consulting agreement, (iii) independent contractor agreement with any individual or entity with respect to the Transferor Business or (iv) agreement that contains any severance or termination pay obligations with respect to Transferor Employees.

(b) Except as set forth in Exhibit 2.13(b), as of the Closing Date, all vacation pay, holiday pay, short or long-term disability, reimbursement of expenses, tuition reimbursement, commissions, compensation for absences due to jury duty and funeral leave, paid time off, wages, salaries, bonuses, sick pay, extended sick leave, insurance benefits, or other employee benefits or reimbursements with regard to any current or former Transferor Employee to which such Employee is legally entitled will have been paid by Transferor.

(c) Exhibit 2.13(c) sets forth each of Transferor's pension and retirement plans (except for Social Security), medical, hospitalization, vision, dental, life, disability and other similar benefit plans, deferred compensation plan, other similar plan, severance plan or policy, and each other similar performance, bonus, incentive or benefit plan, trust, fund, arrangement, policy, agreement or understanding, policy manual or employment handbook with respect to the Transferor Employees (collectively, the "Benefits Plans"). Except as set forth in Exhibit 2.13(c), Transferor is not in default under any Benefit Plan, and each has been administered in accordance with its terms.

(d) Exhibit 2.13(d), attached hereto, sets forth each of Transferor's collective bargaining agreements with respect to Transferor Employees. Except as set forth in Exhibit 2.13(d), no Transferor Employee or group of employees is represented by any significant labor union or organization and there has not been any significant labor union organizing activity at the Transferor Business. Except as set forth in Exhibit 2.13(d), there is no labor dispute, work stoppage, strike, investigation, written grievance report, arbitration, claim or other labor relations problem (collectively, "Labor Proceeding") pending or, to Transferor's knowledge, threatened, between Transferor and any Transferor Employee, nor have any discharges, terminations, or, to Transferor's knowledge, incidents occurred which would form the basis for any material claim of discrimination against Transferor with respect to the Transferor Business.

(e) None of the management personnel of the Transferor Business nor any group of Transferor Employees has given notice of intent to terminate his, her or its employment with Transferor.

(f) In conducting the Transferor Business, Transferor has materially complied with and is currently complying in all material respects with, and Transferor has not received any notice of noncompliance with, any and all applicable laws relating to the employment of labor including, without limitation, those laws relating to wages, hours, equal employment, occupational safety and health, workers' compensation, unemployment insurance, collective bargaining, affirmative action and the payment and withholding of social security and other taxes, except as set forth in Exhibit 2.13(f) attached hereto. Except as set

forth in Exhibit 2.13(f), Transferor has withheld all amounts required by law or agreement to be withheld from the wages or salaries of Transferor Employees, and Transferor is not liable for any material arrears of any tax or penalties for failure to comply with the foregoing. Transferor has, as of the Closing, made all filings required under the foregoing laws with respect to Transferor Employees.

(g) Except as set forth in Exhibit 2.13(g) attached hereto, Transferor has fulfilled all of its obligations under the minimum funding standards of the Employee Retirement Income Security Act, as amended ("ERISA"), and the Code, with respect to each Employee Pension Benefit Plan (as defined in Section 3(2) of ERISA ("Plan")) applicable to Transferor Employees and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect thereto.

2.14. Taxes. Except as set forth in Exhibit 2.14 attached hereto, all federal, state, county and other tax returns and payments (including unclaimed property returns) required to be filed or paid by or on behalf of, or with respect to Transferor and the Assets have been duly and timely filed and paid, or will be filed and paid (within the time periods required by law) by Transferor on or before the Closing Date. There are no tax liens on any of the Assets and no basis exists for the imposition of any such liens. The accrual for taxes reflected in the Balance Sheets is in the aggregate adequate to cover any and all federal, state, local or foreign tax liabilities (whether or not disputed) of Transferor for the period ended on the date thereof and all prior periods. Except as set forth in Exhibit 2.14 attached hereto, Transferor has not had, and does not currently have, any dispute with any taxing authority as to taxes of any nature which affects the subject matter of this Agreement.

2.15. Litigation or Claims. Except as set forth in Exhibit 2.15 attached hereto (said matters set forth in Exhibit 2.15 being collectively referred to herein as "Pending Litigation"), Transferor is not engaged in, or a party to or, to Transferor's knowledge, threatened with any suit, action, proceeding, inquiry, enforcement action, investigation, material claim or demand or legal, administrative arbitration or other method of settling disputes or disagreements relating to the Transferor Business or the Assets, and Transferor does not know, anticipate or have notice of any basis for any such action relating to the Transferor Business or the Assets in any material degree. Transferor has not received notice of any investigation, threatened or contemplated, by any federal or state governmental authority or agency, that remains unresolved, involving the Assets or operation of the Transferor Business. None of the Pending Litigation has created a lien, privilege, or a claim therefor against the Assets. Set forth in Exhibit 2.15 is a complete and accurate description of each outstanding order, writ, injunction or decree of any court, arbitrator, government or governmental agency against or affecting the Assets.

2.16. Insurance. The properties and operations of the Transferor Business, including the Assets, that are of an insurable nature and are of a character usually insured by similar businesses, have been continuously insured by Transferor since the date of their acquisition by

Transferor, with the types and amounts of insurance that are adequate to protect Transferor, the Assets and their respective financial conditions against the risks involved in the Transferor Business and ownership of the Assets, either through the purchase of insurance from a third party insurance company or through a self-insurance trust established by Transferor. Exhibit 2.16 attached hereto sets forth a complete and accurate list of all insurance policies currently held by Transferor with respect to the Assets and any self-insurance trust. Except as set forth on Exhibit 2.16, such insurance policies are in full force and effect. Transferor is not delinquent with respect to any premium payments thereon nor is Transferor in default or breach with respect to any material provision contained in any such insurance policies. Transferor has not received, and Transferor has no knowledge of, any notice or request, formal or informal, from any insurance company identifying any material defects in the Assets that would adversely affect the insurability of the Assets. Transferor has not been refused any insurance, nor has its coverage been limited by an insurance carrier to which it has applied for insurance.

2.17. Licenses and Permits. Exhibit 1.1(a)(5)(b) attached hereto sets forth a current, materially complete and materially accurate list of all current, unexpired Licenses and Permits issued to Transferor in connection with the Transferor Business, including the expiration dates thereof, if any. True and correct copies of the Licenses and Permits have previously been delivered to the Partnership by Transferor. Except as set forth in Exhibit 2.17, Transferor has all licenses, permits and franchises required by law or governmental regulations from all applicable federal, state and local authorities and any other regulatory agencies necessary or proper in order to own and/or lease the Assets and to conduct and operate the Transferor Business as they are now being conducted. No notice from any authority in respect to the threatened or pending revocation, termination, suspension or material limitation of any of the Licenses or Permits has been received by Transferor, nor is Transferor aware of the proposed or threatened issuance of any such notice. There is no basis known to Transferor for any such action that would have a material adverse effect upon the Assets or upon Transferor's right to conduct and operate the Assets as they are presently conducted and operated. The Transferor Business is licensed for an aggregate of five hundred one (501) beds. Transferor has previously delivered to the Partnership, true, correct and complete copies of any state licensing survey reports received by the Transferor Business in the two (2) year period prior to the Closing Date, as well as any statements of deficiencies and plans of correction in connection with such reports. Transferor has taken reasonable steps to correct any such deficiencies and a description of any uncorrected deficiency is set forth in Exhibit 2.17 attached hereto.

2.18. Accreditation; Medicare and Medicaid; Third Party Payors.

(a) The Transferor Business is currently accredited by the Joint Commission on Accreditation of Healthcare Organizations (the "JCAHO"). Transferor has previously delivered to the Partnership true, correct and complete copies of the Transferor Business's most recent JCAHO accreditation survey report and deficiency list, if any. Transferor has

taken reasonable steps to correct any such deficiencies and a description of any uncorrected deficiency is set forth in Exhibit 2.18(a) attached hereto.

(b) The Transferor Business is certified for participation in the Medicare and Medicaid programs, and is a party to valid Participation Agreements for payment by Medicare and Medicaid, which agreements are in full force and effect. Without limiting the generality of the foregoing, the facilities, equipment, staffing and operations of the Transferor Business materially satisfy all conditions of Medicare and Medicaid participation. Transferor has previously delivered to the Partnership, true, correct and complete copies of the Transferor Business's most recent Medicare and Medicaid certification survey reports, including any statements of deficiencies and plans of correction. Transferor has taken reasonable steps to correct any such deficiencies and a description of any uncorrected deficiency is set forth in Exhibit 2.18(b) attached hereto. A true and correct copy of each of such agreements has been previously delivered to the Partnership by Transferor. The Transferor has not received notice of pending, threatened or possible investigation by, or loss of participation in, the Medicare and Medicaid programs, except as set forth in Exhibit 2.18(b).

(c) Exhibit 2.18(c) sets forth an accurate, complete and current list of all Participation Agreements with health maintenance organizations, insurance programs, any other Participation Agreements with third party payors and all agreements with preferred provider organization with respect to the Transferor Business. Transferor has previously delivered to the Partnership true and correct copies of all such agreements listed in Exhibit 2.18(c).

(d) Except as set forth in Exhibit 2.18(d) attached to this Agreement, Transferor has timely filed or caused to be timely filed, and as to reports due after the Closing shall timely file, all cost reports and other material reports of every kind whatsoever required by law or by written contracts to have been filed or made with respect to the purchase of services of the Transferor Businesses by third party payors prior to the Closing.

2.19. Medical Staff. Except as set forth in Exhibit 2.19 attached hereto, there are no pending or, to Transferor's knowledge, threatened appeals, challenges, disciplinary or corrective actions, or disputes involving applicants to the medical staff of the Transferor Business, current members of the medical staff or affiliated health professionals.

2.20. Hill-Burton Obligations. Except as set forth in Exhibit 2.20 attached hereto, Transferor has not received any loans, grants or loan guarantees pursuant to the Hospital Survey and Construction Act of 1946 (the "Hill-Burton Act") or any similar statute or program, and the transactions contemplated hereby will not result in any obligation on the Partnership to repay any such loans, grants or loan guarantees or provide uncompensated care in consideration thereof.

2.21. Motor Vehicles. Exhibit 2.21 attached hereto, lists all motor vehicles owned or leased by Transferor in connection with the Transferor Business. As of the Closing Date, all action shall have been taken by Transferor which is necessary to transfer title to such vehicles which are owned by Transferor to the Partnership free and clear of all liens, privileges, security interests, and encumbrances, except for filing the original certificate of title and other required documents, if any, with the District of Columbia Department of Motor Vehicles, Title Division. To Transferor's knowledge, all such vehicles are properly licensed, registered and insured in accordance with applicable law.

2.22. Compliance with Law. To Transferor's knowledge and except as set forth in Exhibit 2.22 attached hereto, as of the Closing Date, Transferor is in compliance in all material respects relating to the Transferor Business with all applicable laws, rules, regulations (including, without limitation, applicable health care laws, rules and regulations, including those relating to the payment or receipt of illegal remuneration, including 42 U.S.C. Section 1320a- 7b(b) (the Medicare/Medicaid anti-kickback statute), 42 U.S.C. 1395nn (the Stark Statute), 42 U.S.C. Section 1320a-7a, 42 U.S.C. Section 1320a-7b(a)-7b(c) and any applicable District of Columbia law governing kickbacks and matters similar to such federal statutes (collectively, the "Fraud and Abuse Laws")), ordinances or orders of any court or federal, state, county, municipal or other governmental department commission, board, bureau, agency or instrumentality, and Transferor has not received any notice, written or otherwise, of noncompliance with respect thereto, except where noncompliance would not have a material adverse effect on the Transferor Business.

2.23. Brokers. Except as set forth in Exhibit 2.23, Transferor has not entered into any contracts, agreements, arrangements or understandings with any person or firm that could give rise to any claim for a broker's, finder's or agent's fee or commission or any similar payment in connection with the negotiations leading to this Agreement or the consummation of the transactions contemplated by this Agreement.

2.24. Accounts Receivable. The Audited Financial Statements, Interim Financial Reports and underlying schedules and other records provided by Transferor to the Partnership regarding Transferor's accounts receivable with respect to the Transferor Business, accurately reflect the amount due to Transferor as of the date indicated on such schedules and records with reasonable reserves and allowances. All outstanding accounts receivable arose in the normal course of business. Transferor has no reason to believe such accounts will not be collectible consistent with Transferor's past collection history.

2.25. Business and Transactions with Affiliates.

(a) Except as described in Exhibit 2.25 attached to this Agreement and in Section 2.11 of this Agreement, no Affiliate (as defined in Section 2.25(b) below) of Transferor, directly or indirectly:

1. provides any services to Transferor, or is a lessor, lessee or supplier to Transferor with respect to the Transferor Business;

2. has any cause of action or other claim whatsoever against or owes any amount to, or is owed any amount by, Transferor with respect to the Transferor Business;

3. has any interest in or owns property or rights used in the operation of the Transferor Business;

4. is a party to any Contract, Real Estate Lease or other agreement, arrangement or commitment relating to the Assets or the operation of the Transferor Business; or

5. received from or furnished to Transferor any goods or services without adequate consideration with respect to the Transferor Business.

(b) An "Affiliate" shall mean any person directly or indirectly controlling, controlled by or under common control with a second Person. For purposes of Section 2.25 (a), an "Affiliate" shall also specifically include members of the Board of Trustees of Transferor, directors of Transferor and officers of Transferor. The term "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. A "Person" shall mean any natural person, partnership, corporation, limited liability company, association, trust or other legal entity.

2.26. Solvency. Transferor is not insolvent and will not be rendered insolvent as a result of the transfer of the Assets from Transferor to the Partnership or as a result of any of the transactions contemplated by this Agreement. For purposes hereof, the term "solvency" means that: (i) the fair salable value of Transferor's tangible assets, as applicable, is in excess of the total amount of its liabilities (including for purposes of this definition all liabilities, whether or not reflected on a balance sheet prepared in accordance with generally accepted accounting principles, and whether direct or indirect, fixed or contingent, secured or unsecured, and disputed or undisputed); (ii) Transferor is able to pay its debts and obligations in the ordinary course as they mature; and (iii) Transferor has capital sufficient to carry on its businesses and all businesses in which it is about to engage.

2.27. No Untrue or Inaccurate Representations or Warranties. The representations and warranties of Transferor contained in this Agreement and the Ancillary Agreements, and each exhibit, schedule, certificate or other written statement delivered pursuant to this Agreement and the Ancillary Agreements, or in connection with the transactions contemplated thereby, are materially accurate, correct and complete, and do not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the

statements and information contained therein not misleading. There is no fact that has a material adverse effect on the Transferor Business or the ability of Transferor fully to perform this Agreement, the Ancillary Agreements and the transactions contemplated thereby, that has not been set forth and described in this Agreement, the Ancillary Agreements or in a certificate, exhibit or other written statement furnished to the Partnership pursuant to this Agreement or the Ancillary Agreements. Certain of the representations contained in this Agreement require Transferor's "knowledge." For purposes of this Agreement, "knowledge" shall mean the knowledge of Transferor after reasonable inquiry by a person in a position of responsibility and with the authority to make such inquiry, and Transferor shall be responsible for all facts which Transferor should have known as a result of such reasonable inquiry.

2.28. Acts or Omissions of the Manager. In connection with its representations and warranties herein, Transferor shall be entitled in all instances, whether or not Transferor's "knowledge" is required, to exclude from its representations and warranties any act or omission of the Manager up to the Closing Date that results in such representation or warranty being inaccurate or incomplete; provided, that "omission" shall include the failure of the Manager to advise the Transferor of any fact, circumstance or condition arising before or after the effective date of the Management Services Agreement of which the Manager learns in its capacity as manager of the Transferor Business; provided further, that the Manager is under no obligation to investigate or learn of any fact, circumstance or condition for purposes of assuring the accuracy or completeness of the Transferor's representations and warranties herein, there being no effect on the Manager's obligations under the Management Services Agreement by reason of the foregoing. For purposes of this Section 2.28, the Manager's "learning" of a fact, circumstance or condition shall mean actual knowledge of the fact, circumstance or condition brought to the attention of an officer, employee, or agent of the Manager.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE PARTNERSHIP AND THE GENERAL PARTNER

The Partnership hereby represents and warrants to Transferor, which representations and warranties shall be true and correct on the Effective Date and through and including the Closing Date, as follows:

3.1. Organization; Good Standing. The Partnership is a District of Columbia limited partnership duly constituted and validly existing as a limited partnership under the laws of the District of Columbia with requisite power and authority to carry on its businesses.

3.2. Authority, Validity; No Breach. The Partnership has the full right, power and legal authority, without the consent of any other person, to execute, deliver and carry out the terms of this Agreement, the Ancillary Agreements, and all documents and agreements necessary to give effect to the provisions of this Agreement, and the Ancillary Agreements,

and to consummate the transactions contemplated thereby. All actions required to be taken by the Partnership to authorize the execution, delivery and performance of this Agreement and the Ancillary Agreements, all documents executed by it necessary to give effect to this Agreement and the Ancillary Agreements and all transactions contemplated thereby have been duly and properly taken or obtained or will be duly and properly taken or obtained by the Partnership prior to the Closing. No other action on the part of the Partnership is necessary to authorize the execution, delivery and performance of this Agreement and the Ancillary Agreements, all documents necessary to give effect to this Agreement and the Ancillary Agreements, and all transactions contemplated thereby.

This Agreement is, and the documents to be delivered at the Closing will be, the lawful, valid and legally binding obligations of the Partnership enforceable in accordance with their respective terms. The execution and delivery of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated thereby will not, with or without the giving of notice and/or the passage of time: (a) violate the Partnership Agreement, or any provision of law, statute, rule or regulation to which the Partnership is subject; (b) violate or conflict with any judgment, order, writ or decree of any court applicable to the Partnership; or (c) violate or conflict in any material respect with any law or regulation applicable to the Partnership.

3.3. Consents and Approvals. Except as set forth in Exhibit 3.3, no consent, approval, permit, waiver, authorization or other action of or by any court, governmental or nongovernmental person or entity, is required in connection with the execution, delivery or performance of this Agreement or the Ancillary Agreements by the Partnership.

3.4. No Untrue or Inaccurate Representations or Warranties. The representations and warranties of the Partnership contained in this Agreement and the Ancillary Agreements, and each exhibit, schedule, certificate or other written statement delivered pursuant to this Agreement and the Ancillary Agreements, or in connection with the transactions contemplated thereby, are accurate, correct and complete, and do not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements and information contained therein no misleading.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE GENERAL PARTNER

The General Partner hereby represents and warrants to Transferor and the Partnership, which representation and warranties shall be true and correct on the Effective Date and through and including the Closing Date, as follows:

4.1. Organization and Good Standing. The General Partner is a Delaware business corporation duly constituted and validly existing as a corporation under the laws of the state of Delaware with requisite power and authority to carry on its business.

4.2. Authority, Validity; No Breach. The General Partner has the full right, power and legal authority, without the consent of any other person, to execute, deliver and carry out the terms of this Agreement, the Partnership Agreement, the Management Agreement, and all documents and agreements necessary to give effect to the provisions of this Agreement, the Partnership Agreement, and the Management Agreement and to consummate the transactions contemplated thereby. All actions required to be taken by the General Partner to authorize the execution, deliver and performance of this Agreement, the Partnership Agreement, and the Management Agreement, all documents executed by it necessary to give effect to this Agreement, the Partnership Agreement and the Management Agreement, and all transactions contemplated thereby have been duly and properly taken or obtained or will be duly and properly taken or obtained by the General Partner prior to the Closing. No other action on the part of the General Partner is necessary to authorize the execution, deliver and performance of this Agreement, all documents necessary to give effect to this Agreement, and all transactions contemplated thereby.

This Agreement is, and the documents to be delivered by the General Partner or its affiliate at the Closing will be, the lawful, valid and legally binding obligations of the General Partner enforceable in accordance with their respective terms. The execution and delivery of this Agreement and the consummation of the transactions contemplated thereby will not, with or without the giving of notice and/or the passage of time: (a) violate the Partnership Agreement, or any provision of law, statute, rule or regulation to which the General Partner is subject; (b) violate or conflict with any judgment, order, writ or decree or of any court applicable to the General Partner; or (c) violate or conflict in any material respect with any law or regulation applicable to General Partner.

4.3. Consents and Approval. No consent, approval, permit, waiver, authorization or other action of or by any court, governmental or nongovernmental person or entity, is required in connection with the execution , delivery or performance of this Agreement, the Partnership Agreement, or the Management Agreement by the General Partnership.

4.4. Affiliates. The General Partner does not have any subsidiaries or any investment constituting more than ten percent (10%) of the equity interests in any other entity, nor is the General Partner a general or limited partner in any partnership other than the Partnership.

4.5. Litigation. Except as set forth in Exhibit 4.5 attached hereto, there is no pending or threatened litigation against the General Partner affecting or which could reasonably be expected to affect the transactions contemplated hereby.

4.6. No Untrue or Inaccurate Representations or Warranties. The representations and warranties of the General Partner contained in this Agreement, the Partnership Agreement, and the Management Agreement, and each exhibit, schedule, certificate or other written statement delivered pursuant to this Agreement, the Partnership Agreement or the Management

Agreement, or in connection with the transactions contemplated thereby, are accurate, correct and complete, and do not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements and information contained therein not misleading.

ARTICLE V
COVENANTS OF TRANSFEROR

5.1. Access and Information; Inspections. From the Effective Date until the Closing, Transferor shall give to the General Partner and its representatives access during normal business hours to Transferor's books, accounts and records and all other relevant documents and information with respect to the Assets as representatives of the General Partner may from time to time request, all in such manner as to not unduly disrupt Transferor's normal business activities. Such access may include consultations with the personnel of Transferor. From the Effective Date until the Closing, Transferor shall make the Premises, Real Estate, Leased Personal Property and the Personal Property available for inspection by the General Partner and its representatives during normal business hours. Further, the General Partner may, at its sole cost and expense, unless otherwise agreed in writing, undertake environmental, mechanical and structural surveys of the Premises and may examine all documents related to Environmental Laws or related to any private or governmental agency which licenses or certifies any operations or procedures at the Premises.

5.2. Notices. Prior to the Closing, Transferor shall notify the General Partner in writing of (a) any material adverse change in the financial position, earnings or prospects of the Transferor Business, (b) any governmental complaints, investigations or hearings with respect to the Transferor Business to which Transferor or any Contributing Affiliate is a party, and (c) any material pending court actions to which Transferor or any Contributing Affiliate is a party. For purposes of this Section 5.2 only, "material adverse change" shall mean a change the adverse financial effect of which could be reasonably construed to exceed one percent (1%) of net revenues of Transferor for its most recent fiscal year.

5.3. Preserve Accuracy of Representations and Warranties. Transferor shall refrain from any action or inaction that would render any representation or warranty contained in Article II of this Agreement inaccurate as of the Closing Date.

5.4. Conduct of Business. Prior to the Closing, except as otherwise approved by the Partnership in writing, Transferor shall:

(a) operate the Transferor Business as presently operated and only in the ordinary course of business, and consistent with such operation, comply in all material respects with all applicable legal and contractual obligations of Transferor;

(b) preserve the Transferor Business materially intact and preserve the goodwill of Transferor's suppliers, patients, physicians and others with whom Transferor has business relationships with respect to the Transferor Business;

(c) make and continue to make or cause to be made all repairs, restoration, replacements and maintenance that may be reasonably necessary to maintain the Assets in as good a condition as they exist as of the Effective Date;

(d) not materially amend its Charter or Bylaws (and provide notice of any such amendment to the Partnership);

(e) not renew, extend or materially amend the Real Estate Leases, Participation Agreements, or Contracts which will be assigned to the Partnership, other than on commercially reasonable terms, or do any act or omit to do an act that would cause a material breach of or violation or default under such Real Estate Leases, Participation Agreements, or Contracts;

(f) not enter into or extend beyond one (1) year any agreement for employment in the Transferor Business with any Transferor Employee or materially increase the compensation of any Transferor Employee in the Transferor Business, other than increases in accordance with Transferor's prevailing plans and procedures that do not cause compensation payable to such Transferor Employee to exceed market rates; provided that Transferor Employees may, prior to the Closing, seek employment with Transferor outside the Transferor Business and Transferor may extend offers of employment or enter into employment agreements with Transferor Employees for positions outside the Transferor Business;

(g) not agree, whether in writing or otherwise, to do any of the foregoing actions specified in items (d) through (f) above; and

(h) not change in any material respect any operating policies or procedures, including those policies and procedures regarding uncompensated care.

5.5. No Merger or Consolidation. Except as provided in Exhibit 5.5, from the Effective Date until the Closing, Transferor shall not: (i) merge or consolidate the Transferor Business with, or acquire (except in the ordinary course of business) any of the assets of any other hospital-related corporation, business or person, or dispose of (except in the ordinary course of business) any of the Assets; and (ii) negotiate with any corporation, business or person regarding any inquiries, proposals or offers relating to the acquisition of assets of any other corporation, business or person, the disposition of the Assets, or the merger or consolidation of Transferor with any corporation, business or person. Transferor shall promptly notify the General Partner orally, and confirm in writing, all relevant details relating

to bona fide inquiries or proposals which Transferor may receive relating to any of the matters referred to in this Section 5.5.

5.6. WARN. Transferor shall take any and all action which may be necessary to comply with the terms and provisions of the Workers Adjustment and Retraining Notification Act ("WARN") as a result of the transactions contemplated by this Agreement and the Ancillary Agreements. All notices sent to any Transferor Employee by Transferor regarding or in connection with such transactions, including, without limitation, any notices sent to Transferor Employees pursuant to the provisions of WARN, shall be subject to the prior written approval of the Partnership which consent shall not be unreasonably withheld, conditioned, or delayed.

5.7. Benefit Plans of Transferor Employees. Except as provided in Exhibit 5.7 attached hereto, Transferor shall terminate effective as of the Closing the active participation of all Transferor Employees in all of the Benefit Plans covering such employees, and shall cause each Benefit Plan to comply with all applicable laws, including but not limited to, the applicable provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") and the Health Insurance Portability and Accountability Act of 1996 in connection with such termination.

5.8. Termination Cost Reports. Transferor shall file all Medicare, Medicaid and any other termination cost reports required to be filed as a result of the consummation of (i) the transfer of the Assets to the Partnership and (ii) the transactions contemplated by this Agreement and the Ancillary Agreements. All such termination cost reports shall be submitted to the Partnership fifteen (15) days prior to filing for review by the Partnership and shall be filed by Transferor in a manner that is materially consistent with (i) prior cost reports filed by Transferor with respect to the Transferor Business, and (ii) current laws, rules and regulations. Transferor shall bear all liability for payment due, and shall retain in full all reimbursement received, under such termination cost reports as described in Section 5.12.

5.9. Transferor's Efforts to Close. Transferor shall use its reasonable commercial efforts to satisfy all of the conditions precedent set forth in Articles VIII and IX to its or the Partnership's obligations under this Agreement to the extent that Transferor's action or inaction can control or influence the satisfaction of such conditions.

5.10. Notices to Lessees. Transferor shall prepare notice letters on its letterhead in form(s) reasonably acceptable to the General Partner and shall send such notice letters on the Closing Date to all lessees under the respective Real Estate Leases in which Transferor is the lessor and which will be assigned to the Partnership.

5.11. Additional Insurance. Prior to the Closing Date, Transferor shall purchase "tail" insurance (or shall maintain a self-insurance plan satisfactory to the General Partner in form and substance) for professional and general liability so that the professional and general

liability coverages of Transferor described in Exhibit 2.16 shall be (or effectively be converted into) occurrence coverage to the reasonable satisfaction of the General Partner; provided, however, in the event that the professional and general liability coverages of Transferor described in said Exhibit 2.16 are occurrence coverages that will provide the same coverage to Transferor regardless of whether a claim against Transferor is made prior to or after the Closing, thereby resulting in any such "tail" insurance to be completely duplicative of already existing coverage, then Transferor shall have no obligation to purchase such "tail" insurance. As applicable, a certificate of insurance evidencing such "tail" coverage, self-insurance program or occurrence coverage, as the case may be, shall be delivered to the General Partner at or prior to the Closing.

5.12. Third Party Reimbursement/Recoveries.

(a) Transferor shall be responsible for every liability of every kind or nature, known or unknown, to Medicare, Medicaid or other federal, state or private health care program resulting, arising from or relating to services rendered by the Transferor Business prior to the Closing, regardless of when any such claim is made, including, without limitation, any Medicare recapture and amounts for any claims for reimbursement to Transferor under Medicare and Medicaid for which it is determined that Transferor is not entitled, and for which the Partnership incurs liability or expense. Transferor, in its own right, shall pay the full amount owed to the Partnership pursuant to this Section 5.12 within ten (10) days of receipt from the General Partner of reasonably satisfactory evidence of such liabilities upon final disposition after all appeals have been exhausted. Transferor shall have the right to control appeals or defense regarding the underlying Medicare, Medicaid or other claims provided that Transferor, in its own right, timely reimburses the Partnership pursuant to this Section 5.12. Transferor shall have the right, but not the obligation, to control appeals or defense of the underlying claims and the General Partner shall not compromise or settle any such claim without the consent of Transferor; provided, however, that if Transferor delegates control of an appeal or defense to the General Partner, Transferor shall retain the obligation to indemnify the Partnership for any losses arising out of any such claim including any losses resulting from a good faith settlement or compromise of any such claim by the General Partner in the Transferor's consent. If it shall later be determined that Transferor has reimbursed the Partnership for liabilities pursuant to this Section 5.12 that are subsequently credited or refunded to the Partnership by Medicare or Medicaid, the Partnership shall pay to Transferor, in its own right, such excess amounts within ten (10) days of the Partnership's receipt of reasonably satisfactory evidence of such credits or refunds.

(b) Transferor shall promptly pay over to the Partnership all cash receipts, if any, received by Transferor from Medicare, Medicaid or other federal, state or private health care program with respect to services performed by the Partnership on or after the Closing.

(c) Transferor shall be entitled to receive and retain all receipts, reimbursements, or settlements of any amount or kind whatsoever, including loss on

depreciation, from or under Medicare, Medicaid, or any federal, state, or private health care program, in connection with services rendered before the Closing Date.

5.13. Access Codes and Combinations. Immediately following the Closing, Transferor shall cooperate with and notify the Partnership with regard to all source and access codes to computers which are in the possessions of Transferor and which Transferor is licensed and authorized to divulge, combinations to safe(s) and the location of keys to safe deposit boxes, if any, concerning the Transferor Business.

ARTICLE VI
COVENANTS OF THE PARTNERSHIP

6.1. Assumption of Transferor Obligations. The Partnership acknowledges and agrees that it shall assume as of the Closing Date the Assumed Obligations described in Section 1.1(c), except for those Contracts, Leases and other obligations identified in Exhibit 6.1(a) as Excluded Liabilities. The Assumed Obligations shall be assumed by the Partnership pursuant to the terms of a General Assignment, Bill of Sale and Assumption of Liabilities, in the form of Exhibit 6.1(b) attached hereto, which has been approved as to form by the General Partner.

6.2. Performance Under Agreements. After the Closing Date, the Partnership shall in all respects perform, meet every obligation and make every payment required under, the terms of the Academic Affiliation Agreement, the University Services Agreement, the Ground Lease, the Trademark License Agreement, the Parking Rental Agreement, and the Provider Agreement, as each has been defined herein.

6.3. Commitment to Charitable Mission. The Partnership recognizes the significant contribution Transferor has made to the local community through its support of uncompensated and indigent care at the Hospital. Moreover, the Partnership recognizes the Partnership's responsibilities as a Member of the community to provide for the treatment of indigent patients. Without limiting the foregoing, after the Closing Date, the Partnership shall operate the Transferor Business in the following manner:

(a) for at least two (2) years following the Closing, the Partnership shall maintain policies for uncompensated care consistent with Transferor's uncompensated care policies that were in effect for the Transferor Business for the two (2) fiscal years immediately preceding the Closing. The provision of uncompensated care shall be in compliance with all local, state and federal laws (including any "anti-dumping regulations"); and

(b) the Partnership will be a provider to the federal Medicare/Medicaid programs and any similar program operated by the District of Columbia.

6.4. The Partnership's Efforts to Close. The General Partner (on the Partnership's behalf) shall use its reasonable commercial efforts to satisfy all of the conditions precedent set

forth in Articles VIII and IX to the Partnership's or Transferor's obligations under this Agreement to the extent that the Partnership's action or inaction can control or influence the satisfaction of such conditions.

6.5. Governmental Approvals. The Partnership shall timely file all filings and notices required to be made by the Partnership pursuant to any applicable federal or District of Columbia laws as a result of the transactions contemplated by this Agreement. All filing fees imposed in connection with the filing of such notices shall be borne by the Partnership. If the District of Columbia Corporation Counsel or any other governmental entity denies, prohibits, or enjoins any consents or approvals required for the consummation of the transactions contemplated by this Agreement, the Partnership may elect to oppose such objection, prohibition or injunction and Transferor shall assist the General Partner with such opposition. In that event, the Closing shall be extended for so long as such opposition is proceeding (but in no event later than December 31, 1997, unless a later date is agreed to by the parties), notwithstanding any other provision of the Agreement to the contrary. In the event of a final, nonappealable adjudication by a court of competent jurisdiction enjoining the transactions contemplated by this Agreement under the laws of the United States or the District of Columbia or, in the event the Partnership elects not to appeal such injunction or other governmental objection or prohibition, then this Agreement may be cancelled by Transferor or the Partnership by giving written notice to the other party and all parties shall thereupon be released from any and all obligations and liabilities pursuant to this Agreement.

ARTICLE VII
COVENANTS OF GENERAL PARTNER

7.1. Performance Under Agreements. After the Closing Date, the General Partner shall in all respects perform, meet every obligation and make every payment required under, the terms of the Partnership Agreement, and the Management Agreement, as each has been defined herein. The General Partner shall, within its authority under the terms of the Partnership Agreement, cause the Partnership to fulfill each of its obligations under this Agreement and the terms of the Academic Affiliation Agreement, the University Services Agreement, the Ground Lease, the Trademark License Agreement, the Parking Rental Agreement, and the Provider Agreement, as each has been defined herein.

7.2. Guaranty. The General Partner has obtained from Universal Health Services, Inc., a guaranty agreement (the "Guaranty Agreement"), in the form attached hereto as Exhibit 7.2, setting forth the unconditional guaranty of each of the General Partner's obligations under the Partnership Agreement, and naming the Transferor as a third party beneficiary.

ARTICLE VIII
CONDITIONS PRECEDENT TO OBLIGATIONS OF TRANSFEROR

Transferor's obligation to contribute the Assets to close the transactions contemplated by this Agreement shall be, at the option of Transferor, subject to the satisfaction of each of the following conditions (which may be waived specifically in writing by Transferor in whole or in part) at or prior to the Closing:

8.1. Warranties True and Correct. Each of the representations and warranties made by the Partnership and set forth in this Agreement and in the exhibits and schedules attached hereto shall be true and correct in all material respects at and as of the Closing Date.

8.2. Signing of Instruments. The Partnership shall have executed all documents and instruments required to be executed pursuant to the provisions of this Agreement.

8.3. Insurance. The Partnership shall have obtained adequate insurance, including but not limited to general liability, property and casualty, automobile, malpractice, unemployment insurance, and workers' compensation, to be in effect at Closing. The Partnership shall have furnished certificates of insurance to Transferor.

8.4. Opinion of Counsel. Transferor shall have received the favorable opinion of the General Partner's counsel dated the Closing Date, in substantially the form attached hereto as Exhibit 8.4.

8.5. [Intentionally Omitted]

8.6. Extraordinary Liabilities/Obligations. The General Partner shall not (i) be in receivership or dissolution, (ii) have made any assignment for the benefit of creditors, (iii) have admitted in writing its inability to pay its debts as they mature, (iv) have been adjudicated a bankrupt, or (v) have filed a petition in voluntary bankruptcy, a petition or answer seeking reorganization, or an arrangement with creditors under the federal bankruptcy law or any other similar law or statute of the United States or any state, nor shall any such petition have been filed against the General Partner.

8.7. No Action or Proceeding. On the Closing Date, no action or proceeding shall be pending or threatened wherein an unfavorable judgment, decree or order would, in Transferor's reasonable opinion, prevent or make unfavorable the carrying out of this Agreement, or would cause the transactions contemplated by this Agreement to be rescinded. In the event of the receipt of any communication from any department or agency of government or any other notice (a copy of which communication or notice shall be promptly delivered to the Partnership) prior to the Closing with regard to the transactions contemplated by this Agreement, which communication or notice shall in the reasonable opinion of

Transferor threaten such an action or proceeding, Transferor may terminate this Agreement by giving thirty (30) days advance written notice to the General Partner. During such thirty (30) day period, Transferor and the Partnership shall meet and confer in good faith to attempt to resolve the issue which is the subject of the action or proceeding. In the event the parties are unable to do so, or fail to agree to extend the thirty (30) day period, Transferor may terminate this Agreement by giving written notice to the General Partner and all parties shall thereupon be released from any and all liability related to this Agreement.

8.8. Performance of Covenants. The Partnership shall have performed all of the obligations and complied with all of the covenants, agreements and conditions required to be performed or complied with by it on or prior to the Closing.

8.9. Consents, Approvals and Authorizations. The Partnership shall have obtained all consents, approvals and authorizations of third parties necessary or required for completion of the transactions contemplated by this Agreement.

ARTICLE IX
CONDITIONS PRECEDENT TO OBLIGATIONS OF THE PARTNERSHIP

The Partnership's obligation to receive the contribution of the Assets, to close the transactions contemplated by this Agreement shall be, at the option of the General Partner, subject to the satisfaction of each of the following conditions (which may be waived specifically in writing by the General Partner in whole or in part) at or prior to the Closing:

9.1. Warranties True. Each of the representations and warranties made by Transferor and set forth in this Agreement and in the exhibits and schedules attached hereto shall be true and correct in all material respects at and as of the Closing date.

9.2. Corporate Approval. The governing bodies of Transferor and General Partner shall have approved the transactions contemplated by this Agreement.

9.3. Consents, Approvals and Authorizations. The parties shall have obtained all consents, approvals and authorizations of third parties necessary or required for completion of the transactions contemplated by this Agreement including, without limitation, the certificate of need for change of ownership and other approvals required by the District of Columbia and all necessary consents to assignment of material contracts, leases or other rights and obligations of Transferor with respect to the Transferor Business. The Partnership shall have obtained assurances from all of the necessary governmental authorities, in form and substance reasonably satisfactory to the General Partner, that the Partnership will be granted all governmental approvals, licenses, clearances, provider numbers and/or contracts necessary or appropriate for the operation of the Transferor Business as previously operated following the Closing. Further, the Partnership shall have received approvals, consents or commitments

from Medicare, Medicaid and the appropriate fiscal intermediary for its continued participation in each and providing that there shall be no material interruptions in program payments.

9.4. Signing of Instruments. Transferor shall have executed all documents and instruments required to be executed pursuant to all of the provisions of this Agreement.

9.5. Performance of Covenants. Transferor shall have performed all of the obligations and complied with all of the covenants, agreements and conditions required to be performed or complied with by Transferor on or prior to the Closing.

9.6. No Action or Proceeding. On the Closing Date, no action or proceeding shall be pending or threatened wherein an unfavorable judgment, decree or order would, in the reasonable opinion of the General Partner, prevent or make grossly unfavorable the carrying out of this Agreement, or would cause the transactions contemplated by this Agreement to be rescinded, or would materially and adversely affect the operation of the Transferor Business by the Partnership following the Closing Date. In the event of the receipt of any communication from any department or agency of government or any other notice (a copy of which communication or notice shall be promptly delivered to the Transferor) prior to the Closing with regard to the transactions contemplated by this Agreement, which communication or notice shall in the reasonable opinion of the General Partner threaten such an action or proceeding, the General Partner may terminate this Agreement by giving thirty (30) days advance written notice to Transferor. During such thirty (30) days period, Transferor and the Partnership shall meet and confer in good faith to attempt to resolve the issue which is the subject of the action or proceeding. In the event the parties are unable to do so, or fail to agree to extend the thirty (30) day period, the Partnership may terminate this Agreement by giving written notice to the Transferor and all parties shall thereupon be released from any and all liability related to this Agreement.

9.7. Due Diligence.

(a) The General Partner shall have performed due diligence review of Transferor, the Assets and the Assumed Obligations, for the purpose of determining, in its reasonable discretion, that the Assets, the Transferor Business which are among the Assets, and the Assumed Obligations are acceptable to the General Partner.

(b) The General Partner shall have completed its review of the Premises and the Real Estate subject to Real Estate Leases (collectively the "Real Estate") to determine: (i) whether the Real Estate is zoned to permit the likes for which it is presently used; (ii) whether the continued use, occupancy and operation of the Real Estate as currently used, occupied and operated constitutes a nonconforming use under any Real Property Law and the continued existence, use, occupancy and operation of the Real Estate, and whether the right and ability to repair and/or rebuild any unit of the Premises in the event of casualty, is dependent on any special permit, exception, approval or variance; and (iii) whether the Premises constitutes

valid, subdivided parcels in accordance with all applicable subdivisions laws, statutes, ordinances and codes presently in effect. The General Partner shall have received in final form structural, mechanical and environmental survey results with respect to the Assets acceptable to the General Partner, to the extent obtained by the General Partner pursuant to Section 5.1 above. A negative determination by the General Partner with respect to the Real Estate above shall only be a failure to meet a condition of closing under this Article IX to the extent that such negative determination would have a material adverse effect upon the Real Estate or upon the use of the Real Estate for their current use.

The General Partner's review shall be completed prior to May 31, 1997 (the "Due Diligence Period"), and this condition shall be deemed satisfied or waived if the General Partner does not request an extension of the Due Diligence Period.

9.8. Opinions of Counsel. The Partnership shall have received the favorable opinions of Transferor's and of the General Partner's counsel dated the Closing Date, in substantially the forms attached hereto as Exhibit 9.8 and 8.4, respectively.

9.9. Exhibits. Except as otherwise provided in Section 14.5 of this Agreement. exhibits to this Agreement that have been added or updated after the Effective Date, shall be acceptable to the General Partner or the Transferor, as the case may be, in their reasonable discretion.

9.10. ALTA Policies and Surveys. The Partnership shall have obtained the most current form of ALTA policy for the Partnership's leasehold interest in the Premises and the Transferor's ownership interest in the Premises, together with current surveys.

9.11. Bond Indebtedness. Transferor shall have canceled or defeased all outstanding tax exempt debt issued in connection with the Assets or otherwise encumbering the Assets.

ARTICLE X
DESTRUCTION OF ASSETS; TERMINATION

10.1. Destruction of Assets. If prior to or as of the Closing Date, the Assets or properties relating to Transferor Business have suffered loss or damage on account of fire, flood, wind, hurricane, earthquake, accident, act of war, civil commotion, strike or other cause or event beyond the reasonable power and control of Transferor (whether or not similar to the foregoing) to an extent which adversely affects the value of the Assets, the Partnership shall have the right to:

(a) terminate this Agreement by giving written notice to Transferor with ten (10) calendar days after the date the General Partner acquires knowledge of such loss or damage, provided that this Section 10.1(a) shall only be available to the Partnership if the

cumulative amount of such loss or damage, considered together with any previous loss or damage, exceeds ten percent (10%) of Transferor's Initial Capital Account Balance; or

(b) complete the acquisition of the Assets and receive from the Transferor all insurance proceeds applicable to such occurrence.

10.2. Termination. This Agreement may be terminated:

(a) by the mutual written consent of the parties;

(b) by either party upon failure to obtain any material regulatory approval required for the transactions contemplated herein after exhausting petitions and appeals (but in no event later than December 31, 1997, unless a later date is agreed to by the parties);

(c) by Transferor or the Partnership, as applicable, if any material condition set forth in Articles VIII or IX hereof, respectively, has not been satisfied or waived as of the Closing Date;

(d) by Transferor or the Partnership on or before the termination of the Due Diligence Period should the results of the inspection be inadequate in any material respect in such Transferor's or Partnership's reasonable discretion; and

(e) pursuant to Section 10.1 above.

10.3. Costs. In the event of a termination of this Agreement pursuant to Section 10.2 hereof, each party shall pay the costs and expenses incurred by it in connection with this Agreement, and no party shall be liable to any other party for any costs, expenses, damage or loss of anticipated profits hereunder.

ARTICLE XI
POST-CLOSING MATTERS

11.1. Post-Closing Matters. Any asset (including patient receivables, all other remittances and all mail and other communications) that is determined by the parties' agreement, or, absent such agreement, determined by litigation, to be or otherwise related to an Excluded Asset and that is or comes into the possession, custody or control of the Partnership (or its successors in interest or assigns, or its respective Affiliates) shall forthwith be transferred, assigned or conveyed by the Partnership (or its respective successors in interest or assigns and its respective Affiliates) to Transferor, and until such transfer, assignment and conveyance, the Partnership (and its respective successors in interest and assigns and its respective Affiliates) shall not have any right, title or interest in such asset but instead shall hold such asset in trust for the benefit of Transferor. Any asset (including all remittances and mail and other communications) that is determined by the parties' agreement or, absent such

agreement, determined by litigation, to be or otherwise relate to an Asset and that is or comes into the possession, custody or control of Transferor (or its respective successors in interest or assigns) shall forthwith be transferred , assigned and conveyed by Transferor (or its respective successors in interest or assigns) to the Partnership, and until such transfer, assignment and conveyance, Transferor (and its respective successors in interest and assigns) shall not have any right, title or interest in such Asset, but instead shall hold such asset in trust for the benefit of the Partnership.

11.2. Access to Books and Records. Following the Closing, the Partnership shall provide Transferor and its officers, agents, and employees with reasonable access during regular business hours to all books and records described in Section 1.1(a)(6) above, in order that Transferor may meet its obligations with respect to Transferor Employees, file claims and cost reports, pursue appeals, meet its obligations in connection with the Excluded Liabilities and its other obligations hereunder, and fulfill other lawful purposes. The Partnership shall permit Transferor to copy any such records reasonably required by Transferor, at Transferor's expense.

11.3. University Services. Following the Closing, Transferor shall provide certain utilities, parking and other services (collectively, the "University Services") to the Partnership pursuant to the University Services Agreement attached hereto as Exhibit 1.6(a)(10).

ARTICLE XII
SURVIVAL AND INDEMNIFICATION

12.1. Survival of Representations; Indemnity Periods. Notwithstanding any right of the Partnership (whether or not exercised) to investigate the affairs of Transferor or any right of any party (whether or not exercised) to investigate the accuracy of the representations and warranties of the other party contained in this Agreement, Transferor has, on the one hand, and the Partnership has, on the other hand, the right to rely fully upon the representations, warranties, covenants and agreements of the other contained in this Agreement. The representations, warranties, covenants and agreements respectively made by Transferor, on the one hand, and the Partnership, on the other hand, in this Agreement or in any certificate respectively delivered by Transferor or the Partnership pursuant to Article I will survive the Closing until the eighteen (18) month anniversary of the Closing Date, except that

(a) in the event of intentional misrepresentation or fraud in the making of any representation or warranty, or intentional, willful or reckless nonfulfillment or breach of any covenant in this Agreement, all representation, warranties, covenants and agreements that are the subject of the intentional misrepresentation, fraud, willful or reckless nonfulfillment or breach, shall survive until sixty (60) calendar days after the expiration of all applicable statutes of limitations (including all periods of extension, whether automatic or permissive) with respect to matters covered thereby;

(b) covenants and agreement to be performed after the Closing Date will survive the Closing for the term or until waived by the party benefiting from performance specified therein, or, if no term is specified, indefinitely; and

(c) rights to indemnification under this Article XII will survive until any claims brought hereunder within eighteen (18) months from Closing shall have been satisfied or otherwise resolved as provided herein except as provided in 12.1(d) below.

(d) representations, warranties, covenants, agreements, and indemnification by Transferor in connection with the Excluded Liabilities and by the Partnership in connection with the Assumed Obligations shall continue indefinitely.

12.2. Transferor Indemnification.

(a) For a period of eighteen (18) months from Closing, Transferor shall keep and save the Partnership harmless from and shall indemnify and defend the Partnership against any and all obligations, judgments, liabilities, penalties, violations, fees, fines, claims, losses, costs, demands, damages, liens, encumbrances and expenses including reasonable attorneys' fees (collectively, "Damages"), whether direct or consequential and no matter how arising, in any way related to, connected with or arising or resulting from (i) any material breach of any representation or warranty of Transferor under this Agreement, (ii) any material breach or default by Transferor of any covenant or agreement of Transferor under this Agreement; and (iii) the Excluded Assets. Transferor shall forever hold the Partnership harmless with respect to the Excluded Liabilities. If any lien, claim, charge or order for the payment of money shall be filed against the Assets or any portion thereof, or against the Partnership or its respective assigns, based on any act or omission or alleged act or omission of Transferor, or its agents, representatives or employees, and whether or not such lien, claim, charge or order shall be valid or enforceable, within ten (10) days after notice to Transferor of the filing thereof, Transferor shall take any and all actions, by bonding, deposit, payment or otherwise, as it deems reasonably necessary to remove and satisfy such lien, claim, charge or order.

(b) The Partnership shall promptly notify Transferor in the event that any claim is made against the Partnership or the Assets for which Transferor has agreed to indemnify the Partnership as set forth in this Agreement, and Transferor shall thereupon undertake to defend promptly and hold the Partnership free and harmless therefrom, using counsel reasonably satisfactory to the Partnership; but the Partnership's failure to so notify shall not relieve Transferor of its obligations hereunder except to the extent that it is actually prejudiced or damaged thereby. Once the defense thereof is assumed by Transferor, Transferor shall keep the Partnership advised of all developments in the defense thereof and in any related litigation, and the Partnership shall be entitled at all times to participate in the defense thereof at its own expense. If Transferor fails to discharge or represent in writing that it will undertake to defend against any such liability within ten (10) days after notice thereof,

and thereafter diligently pursue such defense, then the Partnership may settle the same and shall provide notice of the terms thereof to Transferor within ten (10) days after settlement. Transferor's liability shall be conclusively established by such settlement (the amount of such liability shall include, but shall not be limited to, the settlement consideration and the reasonable attorneys' fees, costs and expenses incurred by the Partnership in effecting such settlement). This indemnity shall not foreclose any other rights or remedies of the Partnership or its assigns that it may have under law or under this Agreement to enforce the provisions of this Agreement.

12.3. Partnership Indemnification.

(a) For a period of eighteen (18) months from Closing, the Partnership shall keep and save Transferor harmless from and shall indemnify and defend Transferor against any and all Damages, whether direct or consequential and no matter how arising, in any way related to, connected with or arising or resulting from (i) any breach of any representation or warranty of the Partnership under this Agreement; and (ii) any breach or default by the Partnership under any covenant or agreement of the Partnership under this Agreement. The Partnership shall forever hold Transferor harmless with respect to the Assumed Obligations.

(b) Transferor shall promptly notify the Partnership in the event that any claim is made against it for which the Partnership has agreed to indemnify Transferor as set forth in this Agreement, and the Partnership shall thereupon undertake to defend and hold Transferor free and harmless therefrom, using counsel reasonably satisfactory to Transferor; but Transferor's failure to so notify shall not relieve the Partnership of its obligations hereunder except to the extent it is actually prejudiced or damaged thereby. If the Partnership fails to discharge or undertake to defend against any such liability within ten (10) days after notice thereof, then Transferor may settle the same and shall provide notice of the terms thereof to the Partnership within ten (10) days after settlement. The Partnership's liability shall be conclusively established by such settlement (the amount of such liability shall include both the settlement consideration and the reasonable attorneys' fees, costs and expenses necessarily incurred by Transferor in effecting such settlement). This indemnity shall not foreclose any other rights or remedies that Transferor may have under law or under this Agreement to enforce the provisions of this Agreement.

12.4. General Partner Indemnification. For a period of eighteen (18) months from Closing, the General Partner shall keep and save Transferor and the Partnership harmless from and shall indemnify and defend Transferor and the Partnership against any and all Damages, whether direct or consequential and no matter how arising, in any way related to, connected with or arising or resulting from (i) any breach of any representation or warranty of the General Partner under this Agreement, or (ii) any breach or default by the General Partner under any covenant or agreement of the General Partner under this Agreement or the Partnership Agreement.

12.5. Indemnification Threshold. Notwithstanding anything to the contrary contained in this Section 12, no indemnification hereunder shall be available to the party alleging a claim (the "Indemnitee") against the other party (the "Indemnitor") unless one of the following criteria are satisfied:

(a) with respect to each individual claim, the amount of Damages with respect to such claim exceeds Fifty Thousand Dollars ($50,000.00) (the "Threshold"); provided that, in such instance, the Indemnitor shall be responsible to the Indemnitee for the entire amount of Damages relating to such claim without regard to the Threshold; or

(b) when the cumulative amount of Damages with respect to individual claims that do not satisfy the criteria set forth in Section 12.5(a) or other claims exceeds Two Hundred Thousand Dollars ($200,000) (the "Aggregate Threshold"); provided that, in such instance, the Indemnitor shall be responsible to the Indemnitee only for the amount of Damages relating to such claims which exceed the Aggregate Threshold.

The provisions of this Section 12.5 shall not apply to any claim based upon the Excluded Liabilities or the Assumed Liabilities.

ARTICLE XIII
EMPLOYEES

The Partnership acknowledges and agrees that it shall make offers of employment to all Transferor Employees (as defined herein) as of the Closing Date.

The parties acknowledge that continuity in the provision of hospital services will be key to the Partnership's ultimate success and the success of the Transferor Business. Transferor shall use reasonable best efforts to assist the Partnership in its employment of the Transferor Employees.

Transferor shall not, from the Effective Date until the Closing, directly or indirectly, solicit any Transferor Employee for employment by Transferor or any of its Affiliates after the Closing Date except for those individuals listed on Exhibit 5.7 who shall either remain employed by Transferor after the Closing Date or shall work for Transferor and the Partnership after the Closing Date. Further, neither Transferor nor the Partnership shall, for a period of twelve (12) months after the Closing Date, directly or indirectly, hire, employ, manage, consult with, seek services from or in any manner engage (all of the foregoing hereinafter collectively referred to as "Employ") any employee of the other party except (i) with the prior written consent of the other party, (ii) in the event that the employee's employment has been terminated by the other party, or (iii) in the case of joint Partnership/University appointments approved by the parties.

In the event Transferor or Partnership employs an employee of the other party prior to the expiration of twelve (12) months following the Closing Date without meeting one of the exceptions set forth in the preceding paragraph, Transferor shall pay the Partnership as liquidated damages, and not as a penalty, a sum equal to one (1) year's current salary of such employee. This represents the reasonable endeavor by the parties hereto to estimate a fair compensation for the foreseeable and unforeseeable losses that might result from any such violation of this Article XIII.

ARTICLE XIV
MISCELLANEOUS PROVISIONS

14.1. Further Assurances. Transferor shall execute, acknowledge and deliver to the Partnership any and all other assignments, consents, approvals, conveyances, assurances, documents and instruments reasonably requested by the General Partner at any time and shall take any and all other actions reasonably requested by the General Partner at any time for the purpose of more effectively assigning, transferring, granting, conveying and confirming to the Partnership, the Assets.

14.2. Successors and Assigns. All of the terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto. No party hereto may assign any of its rights or delegate any of its duties under this Agreement without the prior written consent of the other parties.

14.3. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the District of Columbia.

14.4. Amendments. This Agreement may not be amended other than by written instrument signed by the parties hereto.

14.5. Exhibits. All exhibits and schedules referred to in this Agreement shall be attached hereto and are incorporated by reference herein. From the Effective Date until the Closing, the parties agree that either party may update the exhibits as necessary, subject to the terms of Section 5.1 and 9.9 of this Agreement. Notwithstanding any other provision in this Agreement, the Partnership acknowledges and agrees that any written disclosure made to the Partnership by the Transferor with respect to a representation or warranty shall thereby automatically update the exhibit related to such representation or warranty whether or not the exhibit itself is actually updated in writing.

14.6. Notices. Any and all notices or other communications required or permitted by this Agreement or by law to be served on or given to any party hereto by another party to this Agreement shall be in writing and shall be deemed duly served when personally delivered to the party to whom they are directed, or in lieu of such personal service when deposited in the

United States mail, first-class postage prepaid, or reasonable overnight delivery service, such as Federal Express, addressed as follows:

If to the Partnership	District Hospital Partners, L.P. 901 23rd Street, N.W. Washington, DC 20052 Attn: Chief Executive officer
If to Transferor:	Vice President and General Counsel The George Washington University 2100 Pennsylvania Avenue, N.W., Suite 690 Washington, DC 20052
If to the General Partner:	Universal Health Services, Inc. 367 South Gulph Road King of Prussia, PA 19406 Attn: President

or at such other address as one party may designate by notice hereunder to the other parties.

14.7. Headings. The section and other headings contained in this Agreement and in the exhibits and schedules to this Agreement are included for the purpose of convenient reference only and shall not restrict, amplify, modify or otherwise affect in any way the meaning or interpretation of this Agreement or the exhibits and schedules hereto.

14.8. Confidentiality and Publicity. The parties hereto shall hold in confidence the information contained in this Agreement, and all information related to this Agreement, which is not otherwise known to the public, shall be held by each party hereto as confidential and proprietary information and shall not be disclosed without the prior written consent of the other parties. Accordingly, the Partnership and Transferor shall not discuss with, or provide nonpublic information to, any third party (except for such party's attorneys and consultants) concerning this transaction prior to the Closing, except: (i) as required in governmental filings or judicial, administrative or arbitration proceedings; or (ii) pursuant to public announcements made with the prior written approval of Transferor and the Partnership.

14.9. Fair Meaning. This Agreement shall be construed according to its fair meaning and as if prepared by all parties hereto.

14.10. Gender and Number. All references to the neuter gender shall include the feminine or masculine gender and vice versa, where applicable, and all references to the singular shall include the plural and vice versa, where applicable.

14.11. Third Party Beneficiary. None of the provisions herein contained are intended by the parties, nor shall they be deemed, to confer any benefit on any person not a party to this Agreement.

14.12. Expenses and Attorney Fees. Except as otherwise expressly provided herein to the contrary, each party to this Agreement shall pay its own costs and expenses in connection with the transactions contemplated hereby, including without limitation, the disbursements and fees of their respective attorneys, accountants, advisors, agents and other representatives, incidental to the preparation and carrying out of this Agreement, whether or not the transactions contemplated hereby are consummated. The parties acknowledge and agree that the Partnership has not had and will not have separate counsel, accountants, advisors, agents or other representatives in connection with this Agreement and no such expenses will be charged to the Partnership and all said expenses will be deemed incurred by each Member of the Partnership in its individual capacity. If any action is brought by any party or parties to enforce any provision of this Agreement, the prevailing party or parties shall be entitled to recover its court costs, arbitration expenses and reasonable attorneys' fees. In the event that the prevailing party is other than the Partnership, the expenses charged to the Partnership pursuant to the preceding sentence shall be paid by those Members of the Partnership who did not prevail in the matter in accordance with their relative percentage interests in the Partnership.

14.13. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement, binding on all of the parties hereto.

14.14. Entire Agreement. This Agreement, the exhibits and schedules, and the documents referred to herein contain the entire understanding between the parties with respect to the transactions contemplated hereby and supersede all prior contemporaneous agreements, understandings, representations and statements, oral or written between the parties on the subject matter hereof, and shall be of no further force or effect.

14.15. No Waiver. Any term, covenant or condition of this Agreement may be waived at any time by the party which is entitled to the benefit thereof but only by a written notice signed by the party waiving such term or condition. The course of practice or the subsequent acceptance of performance hereunder by a party shall not be deemed to be a waiver of any preceding breach by another party of any term, covenant or condition of this Agreement, other than the failure of such party to perform the particular duties so accepted, regardless of such party's knowledge of such preceding breach at the time of acceptance of such performance. The waiver of any term, covenant or condition shall not be construed as a waiver of any other term, covenant or condition of this Agreement. The rights and remedies set forth in this Agreement shall be in addition to any other rights or remedies that may be granted by law.

14.16. Severability. If any term, provision, condition or covenant of this Agreement or the application thereof to any party or circumstance shall be held to be invalid or unenforceable to any extent in any jurisdiction, then the remainder of this Agreement and the application of such term, provision, condition or covenant in any other jurisdiction or to persons or circumstances other than those as to whom or which it is held to be invalid or unenforceable, shall not be affected thereby, and each term, provision, condition and covenant of this Agreement shall be valid and enforceable to the fullest extent permitted by law consistent with the purposes of this Agreement.

14.17. Arbitration. Any disagreement, dispute or claim arising out of or relating to this Agreement which cannot be settled by the parties hereto shall be settled by arbitration in accordance with the following provisions:

(a) Forum. Forum for arbitration shall be the District of Columbia.

(b) Law. Governing law shall be the law of the District of Columbia.

(c) Selection. The number of arbitrators shall be three (3), unless the parties hereto are able to agree on a single arbitrator. In the absence of such agreement within ten (10) days after the initiation of an arbitration proceeding, Transferor shall select one (1) arbitrator and the General Partner shall select one (1) arbitrator, and those two arbitrators shall then select within ten (10) days a third arbitrator. If those two (2) arbitrators are unable to select a third arbitrator within such ten (10) day period, a third arbitrator shall be appointed by the commercial panel of the American Arbitration Association. The decision in writing of at least two (2) of the three (3) arbitrators shall be final and binding upon the parties.

(d) Administration. Arbitration shall be administered by the American Arbitration Association.

(e) Rules. Rules of arbitration shall be the Commercial Arbitration Rules of the American Arbitration Association, as modified by any other instructions that the parties hereto may agree upon at the time, except that each party hereto shall have the right to conduct discovery in any manner and to the extent authorized by the Federal Rules of Civil Procedure as interpreted by the federal courts. The arbitrators shall not modify the terms of this Agreement.

(f) Award. The award rendered by arbitration shall be final and binding upon the parties hereto, and judgment upon the award may be entered in any court of competent jurisdiction in the United States.

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[CONTINUED FROM PREVIOUS PAGE]

14.18. Time is of the Essence. Time is of the essence for each provision of this Agreement and each performance called for in this Agreement.

IN WITNESS WHEREOF, this Agreement has been entered into as of the Effective Date.

PARTNERSHIP:

DISTRICT HOSPITAL PARTNERS, L.P.,
a District of Columbia limited
partnership

By: UHS of D.C., Inc.
Its: General Partner

By:_____
Its:_____

TRANSFEROR:

THE GEORGE WASHINGTON UNIVERSITY, a
congressionally chartered institution in the
District of Columbia

By:_____
LOUIS H. KATZ
Its Vice President and Treasurer

GENERAL PARTNER:

UHS of D.C., Inc.
a Delaware Corporation

By:_____
Its:_____

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "UNIVERSAL HEALTH SERVICES, INC.", FILED IN THIS OFFICE ON THE TWENTY-THIRD DAY OF JUNE, A.D. 1997, AT 1:30 O'CLOCK P.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

[SEAL] /s/ Edward J. Freel

Edward J. Freel, Secretary of State

0865562 8100
971206284

AUTHENTICATION: 8525190
DATE: 06-24-97

CERTIFICATE OF AMENDMENT
OF
RESTATED CERTIFICATE OF INCORPORATION OF
UNIVERSAL HEALTH SERVICES, INC.

Universal Health Services, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Company"), does, hereby certify:

FIRST: That at a meeting held on March 26,1997, the Board of Directors of the Company adopted a resolution proposing and declaring advisable the following amendment to the Restated Certificate of Incorporation of said corporation:

RESOLVED, that the Restated Certificate of Incorporation be amended by revising Article Fourth, Paragraph 1, to read in full as follows:

"FOURTH, The total number of shares of all classes of stock which the Company shall have authority to issue is 93,200,000 shares, consisting of 12,000,000 shares of Class A Common Stock, par value $.01 per share (the "Class A Common Stock"), 75,000,000 shares of Class B Common Stock par value $.01 per share (the "Class B Common Stock"), 1,200,000 shares of Class C Common Stock, par value $.01 per share (the "Class C Common Stock"), and 5,000,000 shares of Class D Common Stock, par value $.01 per share (the "Class D Common Stock"). As used in this Restated Certificate of Incorporation the term "Common Stock" means collectively the Class A, Class B, Class C and Class D Common Stock."

SECOND: That thereafter, pursuant to a vote taken at the Annual Meeting of the Stockholders of the Company, voting as a single class, and a majority of the outstanding shares of Class B Common Stock, voting as a class, held on May 21, 1997, a majority of the common stock votes of the Company ratified the amendment referenced herein.

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provision of Sections 211 and 242 of the General Corporation Law of Delaware, as amended.

FOURTH: That the capital of said corporation will not be reduced under or by reason of said amendment.

IN WITNESS WHEREOF, Universal Health Services, Inc. has caused its corporate seal to be hereunto affixed and this certificate to be signed by Steve Filton, its Vice President, and Bruce R. Gilbert, its Secretary, this 20th day of June, 1997.

By: /s/ Steve Filton

Steve Filton
Vice President

CORPORATE SEAL

ATTEST:

By: /s/ Bruce R. Gilbert

Bruce R. Gilbert
Secretary

RESTATED CERTIFICATE OF INCORPORATION
OF
UNIVERSAL HEALTH SERVICES, INC.

UNIVERSAL HEALTH SERVICES, INC., a corporation incorporated under the General Corporation Law of Delaware (the "Company"), hereby amends and restates its Certificate of Incorporation, which was originally filed by the Secretary of State on January 8, 1979, amended and restated by a Restated Certificate of Incorporation filed March 28, 1979, further amended by Certificates of Amendment filed August 2, 1979, September 28, 1979, April 22, 1980, August 20, 1980 and May 11, 1981, restated by a Restated Certificate of Incorporation filed June 8, 1981 and amended and restated by a Restated Certificate of Incorporation filed July 16, 1981, so that the same shall read, in its entirety, as follows:

FIRST: The name of the Company is Universal Health Services, Inc.

SECOND: The address of its registered office in the State of Delaware is No. 100 West Tenth Street, in the "City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The purpose of the Company is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The total number of shares of all classes of stock which the Company has authority to issue is 62,000,000 shares, consisting of 12,000,000 shares of Class A Common Stock, par value S.01 per share (the "Class A Common Stock"), and 50,000,000 shares of Class B Common Stock, par value $.01 per share (the "Class B Common Stock"). As used in this Restated Certificate of Incorporation, the term 'Common Stock' means collectively the Class A Common Stock and the Class B Common Stock.

The following is a statement of the designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, in respect of each class; of stock of the Company:

Except as otherwise expressly provided herein, all shares of Class A Common Stock and Class B Common Stock will

be identical and will entitle the holders thereof to the same rights and privileges.

Part 1. Dividends.

When and as dividends or distributions are declared thereon, whether payable in cash, in property or in securities of the Company, or in subscription or other rights to acquire securities of the Company, the holders of Class A Common Stock and the holders of Class B Common Stock will be entitled to share equally, share for share, in such dividends or distributions: provided that if dividends or distributions are declared which are payable in shares of, or in subscription or other rights to acquire shares of, Class A Common Stock or Class B Common Stock, dividends or distributions will be declared which are payable at the same rate on both classes of Common Stock, and the dividends or distributions payable in shares of, or in subscription or other rights to acquire shares of, Class A Common Stock will be payable to holders of that class of stock and the dividends or distributions payable in shares of, or in subscription or other rights to acquire shares of, Class B Common Stock will be payable to holders of that class of stock.

Part 2. Conversions.

(i) Subject to and upon compliance with the provisions of this part 2, each record holder of Class A Common Stock will be entitled at any time and from time to time to convert any or all of the shares of Class A Common Stock held by such holder into the same number of shares of Class B Common Stock.

(ii) Each conversion of shares of Class A Common Stock into Class B Common Stock will be effected by (and the Company will be obligated to issue such Class B Common Stock upon) the surrender of the certificate or certificates representing such shares of Class A Common Stock to be converted at the principal office of the Company (or such other office or agency of the Company as the Company may designate by notice in writing to the holders of Class A Common Stock) at any time during its usual business hours, together with written notice by the holder of such Class A Common Stock stating that such holder desires to convert the shares, or a stated number of the shares of Class A Common Stock, represented by such certificate or certificates into Class B Common Stock. Such notice will also state the name or names (with addresses) and denominations in which the certificate or certificates for Class B Common Stock are to be issued and will include instructions for delivery thereof.

Promptly after such surrender and the receipt of such written notice, the Company will issue and deliver in accordance with such instructions the certificate or certificates for the Class B Common Stock issuable under such conversion, and the Company will deliver to the converting holder a certificate representing any shares of Class A Common Stock which were represented by the certificate or certificates surrendered to the Company in connection with such conversion but which were not converted. Such conversion to the extent permitted by law will be deemed to have been affected as of the close of business on the date on which such certificate or certificates have been surrendered and such notice has been received, and at such time the rights of the holder of such Class A Common Stock (or specified portion thereof) as such holder will cease and the Person or Persons in whose name or names the certificate or certificates for shares of Class B Common Stock are to be issued upon such conversion will be deemed to have become the holder or holders of record of the shares of Class B Common Stock represented thereby.

(iii) If the Company in any manner subdivides (by stock split or otherwise) or combines (by reverse stock split or otherwise) the outstanding shares of one class of Common Stock, the outstanding shares of the other class of Common Stock will be proportionately subdivided or combined.

(iv) The Company will at all times reserve and keep available out of its authorized but unissued shares of Class B Common Stock or its treasury shares, solely for the purpose of issuance upon the conversion of Class A Common Stock as provided in this part 2, such number of shares of Class B Common Stock as are then issuable upon the conversion of all then outstanding shares of Class A Common Stock. The Company covenants that all shares of Class B Common Stock which are issuable upon conversion will, when issued, be duly and validly issued, fully paid and non-assessable and free from all taxes, liens and charges. The Company will take all such action as may be necessary to assure that all such shares of Class B Common Stock may be so issued without violation of any law or regulation applicable to the Company or any requirements of any domestic securities exchange upon which shares of Class B Common Stock may be listed.

(v) If any shares of Class B Common Stock required to be reserved for purposes of conversions hereunder require registration with or approval of any governmental authority under any federal or state law (other than any registration under the Securities Act of 1933, as then in effect, or any similar federal statute then in force, or

any state securities law, required by reason of any transfer involved in such conversion), or listing on any domestic securities exchange, before such shares may be issued upon conversion, the Company will, at its expense and as expeditiously as possible, use its best efforts to cause such shares to be duly registered or approved for listing or listed on such domestic securities exchange, as the case may be.

(vi) The issuance of certificates for shares of Class B Common Stock upon conversion of shares of Class A Common Stock will be made without charge to the holders of such shares of Class A Common Stock for any issuance tax in respect thereof, or other cost incurred by the Company in connection with such conversion and the related issuance of shares of Class B Common Stock; provided that the Company will not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the holder of the Class A Common Stock converted.

(vii) As used in this part 2, the term "Person" means an individual, a partnership, a corporation, a trust, a joint venture, an unincorporated organization or a government or any department or agency thereof.

Part 3. Registration of Transfer.

The Company will keep at its principal office (or such other place as the Company reasonably designates) a register for the registration of shares of Common Stock. Upon the surrender of any certificate representing shares of any class of Common Stock at such place, the Company will, at the request of the record holder of such certificate, execute and deliver (at the Company's expense) a new certificate or certificates in exchange therefor representing in the aggregate the number of shares of such class represented by the surrendered certificate (and the Company forthwith will cancel such surrendered certificate). Each such new certificate will be registered in such name and will represent such number of shares of such class as is requested by the holder of the surrendered certificate and will be substantially identical in form to the surrendered certificate.

Part 4. Replacement.

(i) Upon receipt of evidence reasonably satisfactory to the Company (an affidavit of the registered holder, without bond, will be satisfactory) of the ownership and the loss, theft, destruction or mutilation of any

certificate evidencing one or more shares of any class of Common Stock and, in the case of any such loss, theft or destruction, upon receipt of indemnity reasonably satisfactory to the Company (provided that if the holder is a financial institution, with net assets in excess of $5 million, its own agreement of indemnity will be satisfactory), or, in the case of any such mutilation, upon surrender of such certificate, the Company will (at its expense) execute and deliver in lieu of such certificate a new certificate of like kind representing the number of shares of such class represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate.

(ii) The term "outstanding" when used in this Article FOURTH with reference to the shares of any class of Common Stock as of any particular time will not include any such shares represented by any certificate in lieu of which a new certificate has been executed and delivered by the Company in accordance with part 3 or this part 4, but will include only those shares represented by such new certificate.

Part 5. Voting Rights.

The holders of Class A Common Stock shall have exclusive voting power except as specified herein with respect to the Class B Common Stock.

(i) With respect to the election of directors, the holders of Class B Common Stock voting as a separate class shall be entitled to elect that number of directors which constitutes 20% of the total membership of the Company's board of directors and if such 20% is not a whole number, then the holders of Class B Common Stock will be entitled to elect the nearest whole number of directors which constitutes 20% of such membership, provided, that, except as contemplated by subparagraph (vi) hereof, in no event shall such number be less than one. Holders of Class A Common Stock voting as a separate class will be entitled to elect the remaining directors.

(a) Nominations for the election of directors, may be made by the Board of Directors or by any stockholder entitled to vote for the election of directors. Nominations made by stockholders shall be made by notice in writing, delivered or mailed by first class United States mail, postage prepaid, to the Secretary of the Company not less than 20 days prior to any meeting of the stockholders called for the election of directors; provided, however, that if less than 30

60

days' notice of the meeting is given to stockholders, such written notice shall be delivered or mailed, as prescribed, to the Secretary of the Company not later than the close of the tenth day following the day on which notice of the meeting was mailed to stockholders.

(b) Each notice under subsection (a) shall set forth (i) the name, age, business address and, if known, residence address of each nominee proposed in such notice, (ii) the principal occupation or employment of each such nominee and (iii) the number of shares of stock of the Company which are beneficially owned by each such nominee.

(c) The Chairman of the meeting may, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

(ii) The holders of Class B Common Stock will be entitled to vote as a separate class on the removal, with cause (as defined in Article SIXTH, part 2, subparagraph (v)) of any director elected by the holders of Class B Common Stock and the holders of Class A Common Stock will be entitled to vote as a separate class on the removal with cause of any director elected by the holders of Class A Common Stock.

(iii) The holders of Class B Common Stock shall be entitled to vote as a separate class on such other matters as may be required by law to be submitted to such holders.

(iv) The holders of Class B Common Stock shall in all matters not referred to in (i), (ii) and (iii) above vote together with the holders of Class A Common Stock as a single class, provided that the holders of Class B Common Stock will have one-tenth of a vote for each share and the holders of Class A Common Stock shall have one vote for each share.

(v) Any vacancy in the office of a director may be filled by a vote of holders of the class entitled to elect said director voting as a separate class and, in the absence of stockholder vote, in the case of a vacancy in the office of a director elected by either class, such vacancy may be filled by the remaining directors. Any directors elected by the board of directors to fill a vacancy shall serve until the expiration of the term of the director whose position was filled and until his successor has been chosen and has

qualified. The board of directors may increase the number of directors and any vacancy so created may be filled by the board of directors, provided that unless the conditions set forth in (vi) exist in respect of the next previous Annual Meeting of Stockholders, the board of directors may be so enlarged by the board of directors only to the extent that 20% of the enlarged board of directors, rounded to the nearest whole number of directors which constitutes 20% of such membership, consists of directors elected by the holders of the Class B Common Stock or by persons appointed to fill vacancies created by the death, resignation or removal of persons elected by the holders of the Class B Common Stock.

(vi) The Class B Common Stock will not have the rights to elect directors set forth in (i) or (v) above, if on the date for taking a record for any stockholder meeting at which directors are to be elected, the number of issued and outstanding shares of Class B Common Stock (exclusive of any shares held in the Company's treasury) is less than 10% of the aggregate number of issued and outstanding shares of both Class B Common Stock and Class A Common Stock (exclusive of shares held in the Company's treasury). In such case all directors to be elected at such meeting shall be elected by holders of Class B Common Stock and Class A Common Stock voting together as a single class, provided that with respect to said election the holders of Class B Common Stock shall have one-tenth of a vote for each share and the holders of Class A Common Stock shall have one vote for each share.

Part 6. Business Combinations.

6A. Definitions.

(i) The term "business combination" as used in Part 6 shall mean:

(a) any merger or consolidation of the Company with or into any other individual, corporation, partnership or other person or entity, other than a merger or consolidation pursuant to which the Company is the continuing corporation and the result of which is not a sale, transfer or other disposition of, or a modification of the form of, ownership of the Company;

(b) any sale, lease, exchange, transfer or other disposition, including without limitation, a mortgage or any other security device, of all or any substantial part of the assets of the Company (including without limitation any voting securities of a Subsidiary) or of a Subsidiary

(which assets of the Subsidiary constitute a substantial part of the assets of the Company) to any other individual, corporation, partnership or other person or entity; or

(c) any agreement, contract or other arrangement providing for any of the transactions described in this definition of business combination.

(ii) The term "related person business combination" as used in this part 6 shall mean:

(a) any merger or consolidation of the Company with or into a related person;

(b) any sale, lease, exchange, transfer or other disposition, including without limitation, a mortgage or any other security device, of all or any substantial part, of the assets of the Company (including without limitation any voting securities of a Subsidiary) or of a Subsidiary, to a related person;

(c) any merger or consolidation of a related person with or into the company or a Subsidiary of the Company;

(d) any sale, lease, exchange, transfer or other disposition of all or any substantial part of the assets of a related person to the Company or a Subsidiary of the Company;

(e) the issuance of any securities of the Company or a Subsidiary of the Company to a related person (other than to full time employees of the Company);

(f) acquisition by the Company or a Subsidiary of the Company of any securities of a related person;

(g) any reclassification of Common Stock of the Company, or any recapitalization involving Common Stock of the Company, consummated within five years after a related person becomes a related person; or

(h) any agreement, contract or other arrangement providing for any of the transactions described in this definition of related person business combination.

(iii) The term "related person" as used in this Part 6 shall mean and include any individual, corporation, partnership or other person or entity which, together with their "affiliates" and "associates" (defined below) "beneficially" owns (as this term is defined in Rule 13d-3 of the

General Rules and Regulations under the Securities Exchange Act of 1934), in the aggregate, five percent (5%) or more of, the outstanding shares of any class of Common Stock of the Company, and any "affiliate" or "associate" (as those terms are defined in Rule 12b-2 under the Securities Exchange Act of 1934) of any such individual, corporation, partnership or other person or entity and shall include all persons or entities acting in concert with such related person. Notwithstanding the foregoing, for the purposes of this definition, any shares of Common Stock of the Company which any related person has the right to acquire at any time pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise, shall be deemed beneficially owned by such related person.

(iv) The term "substantial part" shall mean more than ten percent (10%) of the total assets of the company in question, taken as a whole including any subsidiaries, as of the end of its most recent fiscal year ended prior to the time the determination is being made.

(v) The term "Subsidiary" as used in this Part 6 means any corporation a majority of the voting stock of which is, at the time as of which any determination is being made, owned by the Company either directly or through one or more Subsidiaries.

6B. Stockholders' Vote.

A proposed business combination or related person business combination shall be approved in the manner contemplated by law, but no such business combination or related person business combination shall be approved if any two or more directors of the Company then in office shall have not voted in favor of such proposed business combination or related person business combination unless such business or related person business combination after having been approved by the Board of Directors in the manner contemplated by law shall have been approved by the affirmative vote of not less than 85% of the outstanding Common Stock votes of the Company.

6C. Board of Directors' Vote.

It shall be a proper corporate purpose reasonably calculated to benefit stockholders for the board of directors to base the response of the Company to any proposal for a business combination or related person business combination on the board of directors' evaluation of what is in the best interests of the Company; and the board of directors, in evaluating what is in the best interests of the Company may consider:

(i) The best interest of the stockholders: for this purpose the board of directors shall consider, among other factors, not only the consideration being offered in the business combination or related person business combination proposal in relation to the then current market price, but also in relation to the then current value of the Company in a freely negotiated transaction and in relation to the board of directors' then estimate of the future value of the Company as an independent entity; and

(ii) Such other factors as the board of directors determines to be relevant, including, among other factors, the social, legal and economic effects upon the employees, patients and business of the Company or any of its Subsidiaries, and the community in which the Company, or any of its Subsidiaries, is located or operates.

FIFTH: The corporation is to have perpetual existence.

SIXTH: Directors

Part 1. Powers.

All the powers of the Company, insofar as the same may be lawfully vested by this Restated Certificate of Incorporation in the Board of Directors, are hereby conferred upon the Board of Directors of the Company. In furtherance and not in limitation of that power, the Board of Directors shall have the power to make, adopt, alter, amend and repeal from time to time by-laws of the Company, subject to the right of the stockholders entitled to vote with respect thereto to adopt, alter, amend and repeal by-laws made by the Board of Directors; provided, however, that by-laws shall not be adopted, altered, amended or repealed by the Board of Directors of the Company if any two or more directors of the Company then in office shall have not voted in favor or such adoption, alteration, amendment or repeal nor by the stockholders of the Company except by the vote of not less than 85% of the outstanding Common Stock votes.

Part 2. Number; Election; Removal.

(i) The number of directors of the Company shall be no less than three nor more than nine, the exact number to be fixed by resolution of the Board of Directors.

(ii) The Board of Directors shall be and is divided into three classes: Class I, Class II and Class III. Each director shall serve for a term ending on the date of the third annual meeting following the annual

meeting at which such director was elected; provided, however, that each initial director in Class I shall hold office until the annual meeting of stockholders in 1982, each initial director in Class II shall hold office until the annual meeting of stockholders in 1983, and each initial director in Class III shall hold office until the annual meeting of stockholders in 1984. So long as the holders of Class B Common Stock are entitled to elect one director of the Company pursuant to part 5 of Article FOURTH, the holders of Class B Common Stock will be entitled to elect one director in Class III. In the event the holders of Class B Common Stock become entitled to elect a second director, the additional director shall be a member of Class II.

(iii) In all elections of directors of the Company,, each holder of Class A Common Stock shall be entitled to as many votes as shall equal the number of votes that, except for this subsection, he would be entitled to cast for the election of directors with respect to his shares, multiplied by the number of directors to be elected by the holders of Class A Common Stock, and he may cast all such votes for a single director or may distribute them among the number to be voted for by the holders of Class A Common Stock, or any two or more of them, as he may see fit. In the event the holders of Class B Common Stock vote with the holders of Class A Common Stock as a single class for the election of directors under the circumstances provided in subparagraph (vi) of part 5 of Article FOURTH, the holders of Class B Common Stock shall be entitled to cumulate their votes in the manner described in the immediately preceding sentence. On all other matters submitted to a vote at a meeting of stockholders, each share of Class A Common Stock shall be entitled to one vote on each matter submitted.

(iv) In the event of any increase or decrease in the authorized number of directors, (a) each director then serving as such shall nevertheless continue as a director of the class of which he is a member until the expiration of his term, or his prior death, retirement, resignation, or removal, and (b) newly created or eliminated directorships resulting from such increase or decrease shall be apportioned among the three classes of directors so as to maintain such classes as nearly equal as possible.

(v) A director may be removed only by the affirmative vote of the holders of a majority of the shares then entitled to vote for that director at an election of directors, but only for cause. Cause for removal shall be construed to exist only if the director whose removal is proposed is convicted of a felony by a court of competent jurisdiction and such conviction is no longer subject to direct appeal, or

has been adjudged by a court of competent jurisdiction to be liable for negligence, or misconduct in the performance of his duty to the Company in a matter of substantial importance to the Company, and such adjudication is no longer subject to court appeal.

SEVENTH: Meetings of stockholders may be held within or without the State of Delaware, as the by-laws may provide. The books of the Company may he kept (subject to any provisions contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or in the by-laws of the Company. Elections of directors need not be by written ballot unless the by-laws of the Company so provide. No action required to be taken or which may be taken at any annual or special meeting of stockholders may be taken without a meeting, and the power of stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

EIGHTH: Whenever a compromise or arrangement is proposed between the Company and its creditors or any class of them and/or between the Company and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may on the application in a summary way of the Company or of any creditor or stockholder thereof or on the application or any receiver or receivers appointed for the Company under the provisions of section 291 of the General Corporation Law of Delaware or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of section 279 of the General Corporation Law of Delaware order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Company, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Company, as the case may be, agree to any compromise or arrangement and to any reorganization of the Company as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Company, as the case may be, and also on the Company.

NINTH: Except as expressly set forth in this Article NINTH, the Company reserves the right to amend, alter, change or repeal any provisions contained in this Restated

Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation; provided, however, that the provisions of this Restated Certificate of Incorporation may not be amended, altered, changed or repealed in any respect, unless (i) the Board of Directors shall have first adopted a resolution recommending such amendment, alteration, change or repeal for submission to the stockholders and, (ii) if two or more directors of the Company then in office shall have not voted in favor of such resolution, approval by the affirmative vote of not less than 85% of the outstanding Common Stock votes of the Company is obtained.

TENTH: This Restated Certificate of Incorporation has been duly adopted by the stockholders in accordance with the provisions of sections 245 and 242 of the General Corporation Law of Delaware, as amended.

IN WITNESS WHEREOF, Universal Health Services, Inc. has caused its seal to be hereunto affixed and this certificate to be signed by its President and its corporate seal attested to by its Secretary as of this 17th day of June, 1983.

UNIVERSAL HEALTH SERVICES, INC.

By /s/ Alan B. Miller

Alan B. Miller
President

[SEAL]
CORPORATE SEAL
ATTEST

By /s/ Sidney Miller

Sidney Miller
Secretary

CERTIFICATE OF AMENDMENT
OF
RESTATED CERTIFICATE OF INCORPORATION OF
UNIVERSAL HEALTH SERVICES, INC.

Universal Health Services, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Company"), does hereby certify:

FIRST: That the board of directors of the Company. acting by written consent without a meeting pursuant to Section 141(f) of the General Corporation Law of the State of Delaware, adopted a resolution proposing and declaring advisable the following amendment to the Restated Certificate of Incorporation of said corporation:

RESOLVED, that the Restated Certificate of Incorporation be amended by adding to Article Sixth, Part 3 as follows;

To the fullest extent permitted by the Delaware General Corporation Law as the same exists or may hereafter be amended, a director of this Company shall not be liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director. Any repeal or modification of this Part 3 by the stockholders or the Company shall be prospective only and shall not affect any limitation on the personal liability of a director of the Company at the time of such repeal or modification.

SECOND: That thereafter, pursuant to a vote taken at a meeting of the stockholders of the Company held on May 20, 1987, a majority of the common stock votes of the Company ratified the amendment referenced herein.

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provision of Sections 211 and 242 of the General Corporation Law of Delaware, as amended,

FOURTH: That the capital of said corporation will not be reduced under or by reason of said amendment.

IN WITNESS WHEREOF, Universal Health Services, Inc. has caused its corporate seal to be hereunto affixed and this certificate to be signed by Sidney Miller, its Executive Vice President, and Robert M. Dubbs, its Secretary, this 21st day of May. 1987.

By: /s/ Sidney Miller

Sidney Miller
Executive Vice President

CORPORATE SEAL
ATTEST:

By: /s/ Robert M. Dubbs

Robert M. Dubbs
Secretary

CERTIFICATE OF OWNERSHIP AND MERGER
MERGING
UHS OF COLORADO, INC.
INTO
UNIVERSAL HEALTH SERVICES, INC.

Universal Health Services, Inc., a corporation organized and existing under the laws of Delaware,

DOES HEREBY CERTIFY:

FIRST: That this corporation was incorporated on the 8th day of January, 1979, pursuant to Title 8 of the Delaware General Corporation Law.

SECOND. That this corporation owns all of the outstanding shares of the stock of UHS of Colorado, Inc., a corporation incorporated on the 22nd day of December 1983, pursuant to the Colorado Revised Statutes, 1973, as amended.

THIRD: That this corporation, by the following resolutions of its Board of Directors, duly adopted by Unanimous Written Consent of its members, filed with the minutes of the board (December 8, 1986) determined to and did merge into itself said UHS of Colorado, Inc.:

> RESOLVED, that Universal Health Services, Inc. merge, and it hereby does merge into itself said UHS of Colorado, Inc., and assumes all of its obligations; and it is
>
> FURTHER RESOLVED, that the merger shall be effective upon the date of filing with the Secretary of state of Delaware; and it is
>
> FURTHER RESOLVED, that the proper officers of this corporation be and they hereby are directed to make and execute a Certificate of Ownership and Merger setting forth a copy of the resolutions to merge said UHS of Colorado, Inc. and assume its liabilities and obligations, and the date of adoption thereof, and to cause the same to be filed with the Secretary of State and a certified copy recorded in the office of the Recorder of Deeds of New Castle County and to do all acts and things whatsoever, whether within or without the State of Delaware, which may be in anywise necessary or proper to effect said merger.

FOURTH: Anything herein or elsewhere to the contrary notwithstanding this merger may be amended or terminated and abandoned by the Board of Directors of Universal Health Services, Inc. at any time prior to the date of filing the merger with the Secretary of State.

IN WITNESS WHEREOF, said Universal Health Services, Inc. has caused this certificate to be signed by Sidney Miller, its Vice President and attested by Robert M. Dubbs, its Secretary, this 17th day of December, 1986.

UNIVERSAL HEALTH SERVICES, INC.

BY: /s/ Sidney Miller

SIDNEY MILLER
Vice President

ATTEST:

BY: /s/ Robert M. Dubbs

ROBERT M. DUBBS
Secretary

5
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U.S. DOLLARS

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JAN-01-1997	
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23,455	
200,792	
904,690	
299,383	
1,004,173	
150,927	
263,115	
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323	
495,416	
1,004,173	
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683,996	
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504,824	
57,271	
51,113	
10,340	
60,448	
22,011	
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